

Public Administration

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CONTENTS

July, 1932

PAGE

SUMMER CONFERENCE	219
DEPARTMENTALISM AND EFFICIENCY, by Sir Josiah Stamp, G.B.E., LL.D., D.Sc., F.B.A.	220
THE PRACTICAL LIMITS OF TAXABLE CAPACITY, by Sir Basil Blackett, K.C.B., K.C.S.I.	232
THE PRACTICAL LIMITS OF RATEABLE CAPACITY, by Frank Hunt, C.V.O., F.S.I.	242
THE STATE AND ECONOMIC POLICY, by Colin G. Clark	261
REPORT OF THE INTERNATIONAL CONGRESS OF LOCAL AUTHORI- TIES, LONDON, MAY, 1932, by Sir W. E. Hart, LL.D. . . .	270
THE PRACTICAL WORKING OF CITY GOVERNMENT IN ENGLAND, by Sir Ernest Simon	278
THE INDIAN FACTORY WORKER, by Miss B. M. Le Poer Power .	284
JUDICIAL FUNCTIONS OF THE ADMINISTRATOR, by E. P. Everest, M.B.E.	307
REVIEWS—See next page.	

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Reviews

<i>Author of Book</i>	<i>Short Title of Book</i>	<i>Author of Review</i>	<i>PAGE</i>
HERMAN FINER	<i>Theory and Practice of Modern Government</i>	Sir Arthur Salter, K.C.B.	317
Sir J. ARTHUR SALTER	<i>Recovery</i>	H. L. Beales	321
G. D. H. COLE	<i>British Trade and Industry: Past and Future</i>	A. C. Stewart	324
GILBERT J. PONSONBY	<i>London Transport:</i>	Sir Robert Donald, G.B.E., LL.D.	326
W. J. PASSINGHAM	<i>London's Passenger Transport Problem</i>		
	<i>The Romance of London's Underground</i>		

Summer Conference, 1932

THE Summer Conference of the Institute of Public Administration will be held in Trinity College, Cambridge, on 24th to 27th June, 1932. The Chair will be taken on the Friday by Sir Austen Chamberlain, K.G., M.P.

The following papers will be discussed:—

Friday, 24th June.

DEPARTMENTALISM AND EFFICIENCY (2 sessions).

10.30 a.m. Sir Josiah Stamp, G.B.E., D.Sc., LL.D., F.B.A.

2.30 p.m.

See pages 220 to 231.

Saturday, 25th June.

THE PRACTICAL LIMITS OF TAXABLE CAPACITY.

10.30 a.m. Sir Basil Blackett, K.C.B., K.C.S.I.

See pages 232 to 241.

Monday, 27th June.

THE PRACTICAL LIMITS OF RATEABLE CAPACITY.

10.30 a.m. Mr. Frank Hunt, C.V.O., F.S.I. (Valuer, L.C.C.).

CO-ORDINATION OF ECONOMIC POLICY IN GOVERNMENT DEPARTMENTS.

2.30 p.m. Mr. Colin G. Clark (formerly Assistant, Economic Advisory Council).

See pages 242 to 260.

Note.—The Sessions of the Conference are private and will not, therefore, be open to the Press.

Departmentalism and Efficiency¹

By Sir JOSIAH STAMP, G.B.E., LL.D., D.Sc., F.B.A.

[*Paper to be discussed at the Summer Conference of the Institute of Public Administration, Cambridge, June, 1932*]

1. It is common ground that general services, where uniformity of standard and specialised knowledge are desirable, can well be given by independent departments which, while contracting to order, only do so on standards of their own and with rights of independent judgment and criticism. For example, we now have the supply of property, offices, furniture, &c., by the Office of Works, stationery, printing, paper by the Stationery Office; personnel by the Civil Service Commission. The present question is whether the same idea

¹ Originally written and submitted as supplementary evidence to the Royal Commission on the Civil Service (1929) under the following title:—"Memorandum upon Methods of Adding to the Efficiency of Organisations which are Departmentalised by Functions," and referred to in paras. 594-7 of their Report, as follows:—

594. One witness suggested to us that provision should be made for a small section of highly trained staff whose duties should comprise independent criticism and co-ordination of the machinery of Government. [Question 22,457.] In the view of this witness the problems of management had become so specialised that they required to be studied by officers specially selected and trained for the purpose. This suggestion was based upon a scheme in operation in the United States of America where a small section of public servants is engaged upon these duties under the immediate control of the President.

595. We think that provision should be made for the continuous overhaul of the machinery of Government by a small specially trained staff recruited from the Service generally, and we recommend that steps should be taken with this end in view. We recommend that this staff should be borne on the Treasury Vote; that the necessary surveys should be carried out jointly by members of this specially trained staff and of the Department for the time being under review; and that reports should be submitted both to the Treasury and to the Head of that Department.

596. The Treasury is already regarded as a clearing house for questions concerning improved organisation, labour-saving devices and the like. This recommendation is, therefore, only a further development of the functions already in part performed by that Department. We attach importance, however, to these surveys forming part of a systematic and periodic overhaul of the whole of the machinery of Government, whether or not proposals involving increased expenditure in the Department concerned have been submitted to the Treasury.

597. In recommending the creation of this machinery we aim at promoting efficiency and economy by securing that problems of departmental organisation are studied by minds specially trained in dealing with them. We consider that officers should normally be seconded for these duties for a period of a few years only.

We do not intend by this recommendation to suggest any arrangement which would detract from or diminish the authority or responsibility of Heads of Departments in the management or direction of their Departments.

Departmentalism and Efficiency

is not capable of considerable extension without further elaborating permanent departmental organisations. The desirability and possibility of extension arises because office and operating functions that were formerly regarded as everybody's business and "something that every gentleman ought to know by the light of nature" are emerging as worthy of separate scientific study and specialisation. Not many years ago, except in one or two departments of the State, statistical and economic intelligence were regarded as the province of any of the staff, quite interchangeable, and generally given to the weaker end, or fool of the family. Nowadays it is recognised that a high degree of natural aptitude, specialisation and outside co-ordination are the truest economy.

2. Whenever I have enlisted the services of the National Institute of Industrial Psychology for *ad hoc* investigations, they invariably include in their reports a great deal of matter of this hitherto general character, and make comments on an aspect which is obvious enough when it is once pointed out, so that people exclaim that any decent works manager ought to have seen to it himself long ago. These questions include the position and height of desks, benches, lathes, &c., particularly the position, colour and intensity of lighting, the movement and position of objects, papers, waste, &c., and many other semi-physical, semi-psychological surroundings or adjuncts.

The Managers of Departments or areas rarely like these reports at first; they seem to feel in them some reflection that they themselves ought to have seen these things, or say that they involve the expenditure of money and anyone could have made propositions of this kind; but without the pseudo-scientific backing of such a society no such expenditure would have been welcomed by the management. Somewhat similar remarks apply to vocational guidance both before and after entry of workers. Experience of *ad hoc* investigations of this kind lead one to consider the wisdom of having a systematic and standardised control going through all departments in place of expecting each works management or department to acquire this specialised technique for itself. The supreme management, therefore, must increasingly override the natural desire of the head of a department to manage its own affairs in such particulars as these, and put in, by committee or official, a special inspection or agency of criticism and change. External judgment by figures is generally by itself powerless to show whether all is perfect or not.

3. My experience in connection with a large industrial combine was that the continual transfer of small matters, considered only of general interest, to an overriding technical or special service department, with powers of inspection, control and initiation, was at first accompanied by considerable friction. The head of each department

Public Administration

or locality felt that he was being robbed of his own autonomy—he became a mere producer to order, and not a general manager—but as the good effects of these transfers, made with due regard to the human factor, and to the susceptibility of position, were seen, this feeling died down. The amount of generalised experience open to the “invading” authority was so much greater than the head of the department himself had time to obtain, that he saw the wisdom of suffering the incursion and even of welcoming it, and he began to confine his opposition merely to the supply of his own local and special conditions which might modify the application of a general principle, rather than fight either the principle, or the introducer of it.

4. A further experience of a very striking and successful kind has come to me in the field of “forms”—the psychology of those who fill them up and those who use them; their make-up physically, and the objective representation of real functions behind them. I have come to the conclusion that no highly diversified institution of considerable antiquity can move faster than its forms allow it; that accumulations from the past clog its progress and that overhaul from within has rarely the qualities of objectivity and of “looking at familiar things as though they were strange.” Where a single function of Government or trade activity affects a large number of departments, there is from first to last a long chain of forms entailed by a “case” and this chain, owing to its complexity, and the way it dives in and out of the different departments concerned, is nobody’s business to look at as a single action. The forms involved are rarely in fact put in a line and related to each other and criticised with an outside view. Departments naturally consider that they ought to be masters in their own house and know far better than anyone outside can tell them by their long experience what forms are necessary and how they should be worked. They will suffer experts to *buy* them as a common function of all departments, but criticism of them is another matter, particularly on the creation of new forms. By the introduction of a specialist over a large number of departments I succeeded in two years in halving the stationery bill, a very large number of forms vanished completely from existence—the mere fact that an investigation was in prospect sufficed to produce an automatic and silent reduction; the different types of paper that were required had much closer regard to the total physical usage in each case and length of storage. The highest economies were secured from reducing the classes of paper, the sizes of the cuts and the general scrutiny of long series covering a number of different departments begins to yield its results in cutting out functions altogether. Such an agency cannot easily achieve success if it is not personally responsible to the head of the whole concern. Heads of depart-

Departmentalism and Efficiency

ments are assured that no functions are to be interfered with in work for which they are held responsible, without their consent, but they are put on their defence when criticised. They have no power to come to decisions in favour of their own view unless in the first place they can convince the critic or inquirer.

5. The great objection to all such methods is the old theory that "if a man is chosen to be the head of a department, he must either be trusted, or not, and if he is not, he ought to go." This doctrine, with all deference, is sheer nonsense. Trusted he must be, upon all the main activities of, and operations for, his department, but he cannot be regarded as an expert in the hundred and one matters that are now emerging for special experience, experiment or judgment. Nor should he pass a layman's judgment upon experts' reports dealing with the special aspects of actions and subsidiary organisation of his subordinates, for this judgment will vary with the different heads of departments, and a lack of uniform stringency results. The head of a department is so busy with his major functions that reports of what is actually happening in detail at the circumference are generally drawn by the relatively subordinate, and frequently are unconsciously directed to justifying the *status quo*, because they might reflect on past management and decision by seniors, and a "man never knows where the whirligig will put him in relation to those criticised." Criticism must be made by someone outside the department, who is not subject either to fear or favour, with the knowledge that the judge in the case of difference of opinion will be beyond the department itself.

6. Another example of an over-riding criticism or supervision that has been highly profitable in its results is an independent back checking or audit of the results of new ventures and expenditure, made direct to the head of the concern by people with high technical qualifications, independent of the department.

Departments have been responsible for putting forward proposals for capital expenditure, the justification for which has been certain economies or increased earnings. When these proposals have been finally given effect to it is of prime importance to determine accurately whether they have been justified by events. Should the department be relied upon to make its own reports, bury its own mistakes and do its own criticism?

The results of independent audit with technical criticisms have been very profitable. In the majority of cases they have justified the care and accuracy of the original prognostications. But in a minority of cases they have thrown up a number of side-lights in the course of criticism and explanation of differences which have been of immense value in future enterprise and which had not been

Public Administration

observed by the people actually working the machine. In one or two instances they have unearthed and brought bad work to book, to book.

7. The methods of *job analysis* and *time studies* have two characteristics. There are certain general principles and comparative methods which extend beyond the confines of any departments. There are certain particular applications which can only be understood departmentally. A combination of the outside guidance and co-ordination and criticism with the inside specialised knowledge is essential to produce good results.

8. For all these reasons, and to avoid the multiplication of permanent standardised departments with rights of entry and too great a subdivision of labour, a "flying arm" of co-ordination and criticism attached to the office of the supreme control, with rights of entry to the departments and criticism and examination at any point, is likely to have important psychological and critical value. If the head of a department is assured that no changes can be made without full rights of representation and reference, the question of his dignity and autonomy are met.

9. What is the application of all this theory and experience to the problem of Government? I have made some study of what has been achieved in the United States by the method of Budgetary Control, originally initiated by the present U.S. Ambassador to this country. The general principles underlying that control are as follows, in the words of General Dawes himself:—"Everything which is said herein, including that as to the executive power invoked and methods followed, refers essentially only to a device for the more correct routine business functioning of a corporation or of a government—a device which is entirely impartial and non-political, affecting in no way the general policies of either the corporation or the government but designed only to assure that the money appropriated for carrying out these policies be spent in the most economical and effective manner.

"Faults in routine business systems of private enterprises are generally soon corrected or resulting financial difficulties force those enterprises out of existence. Faults in routine business systems of government often remain uncorrected indefinitely, as governments depend upon taxation for their essential revenues and not primarily upon efficient operation from a business standpoint.

"Countries, whatever may be their government or the political party in power, suffer equally at times from disadvantages which are inherent in faulty administration. Routine business under any governmental or private business system generally speaking will be as good as the system makes possible.

Departmentalism and Efficiency

"Proper business organisation must insure not an intermittent and outside, but a continuing, internal executive control, concerned always and only with proper routine functioning and unconcerned with general policy save economy and efficiency. Outside control may occasionally stimulate efforts for economy and efficiency in routine functioning, but its effects are only temporary.

"In general, governmental routine business machines work poorly or well according as their internal adjustments resemble those which experience has demonstrated as essential to good routine functioning in private business organisations." He tells the story of the original inspection—"To cope with my immediate situation and the pressing demands for economy in governmental expenditures, I had at my disposal as Director of the Budget what in effect was the British Treasury control system, for the new budget act authorised the formation of an organisation which was simply an embodiment of it. My powers under it resembled many of those now exercised by your Chancellor of the Exchequer, but unlike him, who is responsible to a Cabinet, the act made me responsible to one man, the President, just as in the formation and operation of my Army organisations in France I had been responsible to the Commander-in-Chief.

"My intensive study of the British Treasury Control system at this critical time, as a potential agency to be used in effecting immediate government economy, was made under strained conditions and involved the careful weighing of grave alternatives. Because of my Army experience, I recognised immediately and instinctively the defects of the British Treasury control and co-operating audit system as an exclusive agency to secure economical routine business functioning. Accordingly, while organising and operating my office practically in accordance with the British Treasury control system, I used in my methods and work, in addition to the powers created by the budget act, other powers derived from the President to correct certain demonstrated defects of the British system. Your Chancellor of the Exchequer, under an appropriate grant of power from the Cabinet, would be in a position to do the same. I will discuss further on the defects, the method of correcting them, and the economic principles involved, and concern myself in the first instance with the immediate course of action I followed and its results, made possible only through the exercise of these additional powers, not conferred by the budget law but by executive delegation.

"Let me again refer to the situation which I confronted on 23rd June, 1921, the day I assumed office. On 30th June—a week later—all the governmental departments and independent establishments of the United States were to start spending the money which Congress had appropriated to carry them through the fiscal year then

Public Administration

commencing. In this emergency neither the President nor the public nor I could be satisfied with anything but an immediate reduction in operating expenses below existing authorised governmental appropriations. Sir Edward Hilton Young in his book 'The System of National Finance,' in discussing your Treasury control system, says:—

'It is at the time when they (the estimates) are being discussed and formulated in detail in the departments that economies can be made in his (the taxpayer's) interest; when they are being passed in Parliament in blocks and undiscussed it is too late. Once the estimates have been published by the departments which draw them up the taxpayer's fate is sealed.'

"It is evident, since our appropriations at this time not only had been published as estimates but established in law, that unless I could devise a system differing in its methods and results from the British Treasury control system, not only the taxpayer's fate would be sealed but my own as well. In emergency nothing but immediate action avails. At my request the President called a meeting, held six days later (29th June) of the business organisation of the United States Government, consisting of the President, the Cabinet Heads of Departments, and from 1,200 to 1,500 bureau chiefs and others representing all sections of the routine business operating staff. This meeting, besides visualising for the first time in our history the business organisation of the United States Government, gave the President and myself, as his agent, opportunity to appeal for co-operation in the effort to reduce government expense to the *esprit de corps* and loyalty of a great and powerful organisation, whose officers and rank and file up to that time had functioned with but little sense of their individual responsibility to the Government as a whole as compared with that they felt to their own particular department of it. As explaining the nature and the practical result of the meeting, I quote two extracts from my speech on that occasion.

'The President says—and his word goes because he is head of this governmental business corporation for which we are all working, that none of us are now allowed to assume that our congressional appropriations already made—I am talking now as a bureau chief—none of us are allowed to assume that the amount of those appropriations for the year commencing this 1st July, or any other year, necessarily constitutes the minimum of expenditures during that year.'

In closing my speech, quoting from the stenographic report, I said:—

'Fellow Bureau Chiefs, are you willing, after hearing what I have said, that I should now represent you in addressing myself directly to the President of the United States with an assurance

Departmentalism and Efficiency

of your co-operation in his request for a reduction of governmental expenditures? If you so agree, if you are willing, will you indicate it by standing? (The entire audience arose.) The President of the United States arose, followed by applause. The Cabinet and other Officers on the platform also arose.

'I wish to say to you, Sir, that the men before you realise the cares and perplexities of your great position. They realise that at this time the business of our country is prostrated, that men are out of employment, that want and desperation stalk abroad, and that you ask us to do our part in helping you to lift the burden of taxation from the backs of the people by a reduction in the cost of Government. We all promise you, Sir, to do our best—to do our best.

'To which the President of the United States responded:

'“I thank you all for your presence and your commitment to this great enterprise.”’

“At the time of this first meeting, 29th June, of the routine business system of the United States, presided over by the President, the heads and bureau chiefs of the forty-three departments, and independent establishments of the Government there represented had been authorised through appropriations already made by Congress to spend for the fiscal year 1922, upon which they would enter two days later, the sum of \$1,834,865,762.01. As a result of this appeal to them as a united organisation after less than three weeks of consideration and revision of what they had formerly regarded as their necessities, they had promised to save \$112,512,628.32 out of their appropriations, which amount at my suggestion they set up on their respective departmental books as a savings reserve for the year. This amount of savings under appropriations was increased steadily all through the fiscal year under a new system of internal executive control, made up without additional expense from the existing body of governmental employees, which we almost immediately established. I have at hand the figures of savings under appropriations as they existed in March, 1922, representing the results of the effort for only the first eight months of the fiscal year 1922. At this particular time this savings reserve under appropriations had increased from \$112,512,628.32 to the sum of \$143,171,816.63. In other words, of the amount appropriated for them to spend in 1922, as a result of the new system they saved 7-8/10ths per cent. in the first eight months of its operation. This amount of appropriations saved, however, large as it was, only represented the smaller portion of the total reduction in the cost of the routine business operations of Government for that year, which chiefly resulted from the inauguration of the new system of executive control. We afterwards estimated

Public Administration

and itemized in an official report to Congress, covering 170 ordinary book pages, the final savings for the year as amounting to \$250,134,835.03.

"Many of the improvements in methods of business functioning resulting from the inauguration and operation of the new system of executive control during that first year, which were very productive in large savings in later years, are described in the itemized report for the first year opposite comparatively small sums in the column of savings realised. On the other hand, under the better methods of a proper business system there were effected certain savings that first year, as for instance in the operations of the United States Shipping Board, which for exceptional reasons were much greater than in any succeeding years under the same improved business system. Again, the greater the preceding inefficiency, the more impressive always will be the beneficial effects of the institution of proper business functioning."

10. A more detailed application of the American Budgetary Control System to the Departments it is not for me to give, but I am acquainted with their general methods and find them in principle singularly parallel to those that I have referred to as having a valuable application in business.

11. It is not for me to say how far the British Treasury Control System is in itself perfect and renders such methods of extra-departmental criticism unnecessary or superfluous. Nor do I care to enter into a constitutional discussion of the extent to which any such methods are impossible in the British Civil Service owing to the doctrine of Ministerial responsibility. I apprehend that if these methods keep clear of policy and deal only with functioning and co-ordination, they need not be repugnant to that doctrine. Nor should I care to say whether the independent arm of criticism should be responsible to the Head of the Treasury or to the Prime Minister. Very much would turn upon the *scope* of their rights of inspection and criticism. But I am perfectly clear from my past inside knowledge of Government Departments that there are still objects of expenditure which are regarded as being a part of the scope of general management, but which could with profit be made the object of specialised criticism of an *ad hoc* character. The very fact that the Head of a Department, or its immediate subordinates, have lived all their lives in that Department and in discharge of those functions, conscious of the etceteras, but never focussing upon them, is in itself a *prima facie* reason for wondering whether objective criticism would not be of considerable assistance to the Heads of Departments.

12. It may be of interest to state the duties of co-ordinators under the American system.

Departmentalism and Efficiency

" To establish contact with and confer with every branch of the Executive Government within the area, to impress upon them the need and policy of co-ordination, and to instruct them in the use of the co-ordinating machinery. It is not the function of the co-ordinator to assume any duties for the performance of which other officials are now responsible, but it is incumbent upon him to point out where savings may be made by co-ordination, co-operation, or combination, and to insist that the several officials concerned take positive steps to effect the desired result or show conclusively that it is impracticable.

" It is intended that the rule of reason should apply to these instructions, that the duties laid down are to be performed so far as facilities permit, and that primary attention be given to the larger activities; others to follow in order of importance. Reports to the Chief Co-ordinator are only to be made where remedy appears desirable and cannot be arranged between the co-ordinator and the branches concerned. Reports to the Chief Co-ordinator with respect to deficiencies in any branch must include the co-ordinator's recommendation as to remedy and a statement that the matter has been considered by the branches concerned (giving names of the officials) and no satisfactory action taken by them or by their superiors. Each report to the Chief Co-ordinator should in general relate to one subject only. All official correspondence with the office of the Chief Co-ordinator should be addressed to the Chief Co-ordinator and not to any individual officer attached to the office.

" Co-ordinators are authorised to confer directly with the immediate heads of activities being inspected without the necessity of adhering strictly to the rules of procedure of the branch concerned. It will be the duty of the official concerned to advise his seniors in the premises. Co-ordinators will realise that a great deal depends upon their tact in these matters and deference should be paid to the rules and customs of the various departments so far as they do not interfere with the prompt and direct conduct of business. Controversy is obviously inimical to co-ordination and must be avoided except as a last resort. Every effort will be made to establish direct personal contact with other national officials and, in so far as is practicable, to transact matters of non-routine business by personal interview."

Ambassador Dawes goes on to enumerate various subsidiary illustrations of his principle:—

" Purchasing—(1) To inspect all Government purchasing offices, to see that sound practice and Government policies are carried out and that methods are enforced to insure the substitution of new or used material on hand in the same or other departments before purchase is made (this will often require tracing back by the purchasing office to the office certifying the requirements; (2) to suggest substitutions to the branches concerned and to report action in their

Public Administration

respect to the Chief Co-ordinator unless convinced by the branches concerned that such substitution is impracticable. (3) To direct the postponement of purchases when no emergency exists and when it appears that the desired material may be obtained from another branch of the Government, making special report in such cases to the Chief Co-ordinator; (4) to report improper or inefficient methods to the Chief Co-ordinator; (5) to recommend combining of functions whenever it may appear practicable.

“ Stock on hand—(1) to inspect accumulations of material on hand; (2) to ascertain if it has been inventoried, if inventories were accurate when taken, if they have been kept up to date, if a stock record is kept, if they have been reported to an office whose duty it is to declare all or part of it surplus, if such declarations have been made, if the descriptions on inventories are sufficient for identification for sales purposes, if sales or transfers to other departments have been made, if physical deliveries are being made, if proper facilities exist for the same, if the stocks are properly cared for to prevent deterioration or loss, if new stock is being issued when serviceable used material is available; (3) to report any stocks found which have not been inventoried and reported, and any which, although reported and not declared excess, are, in the opinion of the co-ordinator, in excess of local requirements and available for transfer or sale.

“ Reserves. To ascertain if any items of such reserves consist of articles which will deteriorate rapidly or become obsolete if not made use of within a reasonable time or for which spare parts will no longer be obtainable; if any articles are being maintained in the reserve, suitable substitutes for which are in daily commercial use for general consumption, and which could, in the event of an emergency, be obtained without delay or without crippling industry or interfering with the normal life of the community from which drawn.

“ Property in use.—(1) To inspect real and personal property in use or installed for use, including grounds, buildings, machinery, equipment, furniture, &c.; (2) to ascertain if it is continuous or in part use, if it has been reported as available for transfer or sale, if it is required to be retained by law or departmental order, if it is being properly used or preserved; (3) to recommend any discontinuance or disposition.

“ Operations (1) to inspect Government activities and operations; manufacturing, repairing, agricultural, transportation, educational, or otherwise; (2) to report duplication, waste, or inefficient use of material, equipment, or personnel.

“ Transfers.—(1) To inspect activities in connection with the transfers of material between different branches of the Government; (2) to verify the actual necessity for the material on part of the receiving branch; (3) to ascertain that the physical transfers of material are

Departmentalism and Efficiency

economically made; (4) to report any deficiencies in the above respects to the Chief Co-ordinator; (5) to determine the price at which transfers shall be made in case of disagreement between the branches concerned, which price shall be current market price, with proper differentials for carrying charges (not Government storage) and with reasonable depreciation for used or deteriorated material.

"Sales.—(1) To inspect activities in connection with the sale of surplus material; (2) to see that sound practice and Government policies are followed; (3) that the expenses of the sale are reasonable; (4) that improper charges are not made against proceeds; (5) to report any deficiencies in the above respect; (6) to postpone any sale when it appears that it is not to the financial interests of the general Government for it to continue, making immediate report in such cases to the Chief Co-ordinator.

"Adjacent areas.—To keep in touch by correspondence with the co-ordinators of adjacent areas with a view to effecting economies by interchanging material between areas when such transaction would be to the financial interest of the general Government.

"Record.—To maintain a brief record of the movements, duties performed, and results obtained by himself and staff, forwarding copy of same to the Chief Co-ordinator on the last day of each month. This report will be historical only and is not to contain recommendations or requests requiring action. Such should be made the subject of separate correspondence."

13. I put my summary of this question no higher than this: Departmental division by main function must pay regard chiefly to the excellent and fit discharge of that function, which is *distinct* from the main function of operating or thinking in every other department. But associated with it are (1) methods, principles, adjuncts and minor functions which are *similar or general* through many departments and (2) matters for co-ordinated research. In these, excellence in main functions connotes no necessary special fitness or experience. These questions are too general, casual or occasional for permanent additional departmental interference. There is scope for the evolution of a new type of useful interference and assistance, which may differ according to the Governmental or business setting. It is an exterior audit, not of figures, but of efficiency.

It is not unreasonable to suggest that the evolution of business and governmental functions is throwing up matters for specialised treatment in such a way that the old single principle of departmental autonomy plus permanent specialised service departments, is no longer adequate for all purposes, and *that a new type of auxiliary control, criticism and ad hoc special service as an addition to that principle, is now justified*, not in any way as a criticism of the past, but as required to meet the developing needs of the future.

The Practical Limits of Taxable Capacity

By SIR BASIL BLACKETT, K.C.B., K.C.S.I.

[Paper to be discussed at the Summer Conference of the Institute of Public Administration, Cambridge, June, 1932]

TAXABLE Capacity is a very difficult concept. It is not made easier by the fact that a parallel discussion is being undertaken on "the practical limits of rateable capacity," which seems to imply that a number of fundamental questions are to be begged.

In a State so organised that the Government controlled and carried on the whole business activities of the citizens, the first call on the State's incomings would be to provide a minimum standard of existence for every individual in the State, sufficient to enable him or her to carry out with reasonable efficiency the daily task allotted by the State. On the assumption that the Government was not content to see standards and efficiency progressively decline, a further part of its incomings would be needed to provide for depreciation and obsolescence. If gradual improvement was included in the objectives of the Government, a further contribution from its income would be devoted to providing new capital for new development. Or perhaps it might better be said that the aim of the Government would be, after providing for subsistence, depreciation, and obsolescence, to have as large a margin as possible of income over that part of its expenditure which it had to incur upon the necessary overhead charges of Government such as administration, police, defence.

In a sense as the whole income of the nation accrues to the Government it might be argued either that there was no taxation or that income and taxable capacity were identical. A better idea of the true position would however be given by saying that both the theoretical and the practical taxable capacity was the margin between the minimum sums required for subsistence, depreciation, and obsolescence and the value of the services rendered by the citizens individually in production and distribution of goods.

If we start from the opposite end and imagine a community of free men and women, strongly individualist in outlook, newly

Practical Limits of Taxable Capacity

arrived in an uninhabited but fertile island, the Government which they would set up would be entrusted at the outset with only those tasks which by common consent must be performed collectively on behalf of the community, such as the maintenance of law and order, the provision of means of communication, public sanitation and public health administration, if any, defence, and the provision of an executive and legislative authority. The charge for these services would have to be met out of the surplus production of goods and services by the individual settlers after providing for their own subsistence (including, again, depreciation and obsolescence provision). Any further surplus would be retained by the settlers to improve their own estates and increase their own standard of living.

In this case the practical limits of taxable capacity would be the amounts, probably very small and probably always insufficient for good government, which the majority of the settlers could from time to time induce themselves and the social conscience of the community as a whole to agree to spend collectively and to spare individually.

The Institute of Public Administration has shown by the title chosen for this paper that its interest is not so much in the theoretical economics of the question of taxation as in its practical aspects. The two theoretical cases given above serve, however, to bring out certain important points regarding the practical limits of taxable capacity, and certain important assumptions which have to be made in order to make reasonable discussion possible.

It has to be assumed that—

- (a) It is contrary to public policy to levy taxation which reduces the capital assets of the nation; that is, that revenue from taxation must come out of the accruing income of the citizens.
- (b) Taxation will be levied solely for the purpose of serving the collective purposes of the State, and not for the private purposes of a ruler or a class (the maintenance of the ruler in a sufficiently dignified style is of course a collective purpose).

Granted these assumptions, the practical limits of taxable capacity at any given time in any given State depend almost entirely on the historical evolution of the State and on its political philosophy and on the purposes on which the proceeds of taxation are spent.

One limiting factor is common to both the cases taken above, and may be regarded as of general application, viz., the amount required for subsistence, depreciation, and obsolescence must be left with the individual citizens, and cannot be taken in taxation.

It follows further that the value of the services rendered by the citizens individually in production and distribution of goods must provide a margin over the cost of subsistence, depreciation, and obsolescence sufficient to cover the minimum overhead charges of govern-

Public Administration

ment. Unless this exists, the nation will perforce be living on its capital. In other words, the minimum required for subsistence, &c., includes the subsistence of the personnel and the maintenance of the equipment employed in carrying on the minimum government services.

One further generalisation is involved in the above, viz., that tax revenue comes out of the value of the services rendered by the citizens individually; that is, out of industry, and from no other source.

It is true that a country may have natural resources of a special kind, *e.g.*, coal, oil, gold, forests; but it is only when exploited by the industry of its citizens that these become of value and provide an opportunity for the tax-gatherer.

It is true also that a nation, or some of the individuals composing it, may have income from abroad arising out of past investment or from historical accidents. This income is, of course, a potential subject of taxation, but it may properly be regarded as the fruit of past industry and so coming within the above generalisation.

We can now proceed from the general to the particular, and consider what is presumably the main subject for discussion, viz., the practical limits of taxable capacity in present-day Great Britain.

Taxation is raised in Great Britain to-day for the following main purposes:—

- (1) The ordinary overhead charges of government, such as general administration, law and order, defence.
- (2) Economic and social regulation, *e.g.*, maintenance of standards of quality and quantity, weights and measures, factory inspection, &c.
- (3) Constructive social services, such as health, education, museums, parks, scientific and industrial research.
- (4) Preventive social services, *e.g.*, provision for destitution, old age and widows' pensions, unemployment insurance (so far as paid for out of taxation).

(The dividing line between (3) and (4) is not well marked and may even shift from time to time.)

- (5) Public works, either (a) in connection with heads (1) to (4) or (b) works of economic development, such as roads.
- (6) Debt services.

It is convenient to exclude from a study of taxation questions government expenditure on the provision of services to the public, *e.g.*, postal, telegraphic, and telephonic services, which are paid for by the customer according to his use of those services. It has to be noted, however, that the letter post is at present used as a convenient means of taxation over and above the charge for use, a procedure

Practical Limits of Taxable Capacity

which sins against the well-grounded maxim that a tax on communications is a bad tax.

The Road Fund, fed by taxation of motorists, is also most conveniently treated not under the head of taxation, except in so far as, like the Post Office, it is taken advantage of by the State to raise a surplus for general expenditure purposes, but as a method of providing a public utility service at the charge of the customers of that service. It is, however, doubtful whether the surplus in question is a real one or whether motorists do not get the service too cheap.

Of the six heads of expenditure given above, (1), (2), and (6), together with such public works as belong to them, may be regarded as all belonging to the normal overhead charges of a civilised government in modern conditions. Expenditure under head (4) may be said, under the British system, to be broadly in relief of rates. Expenditure under heads (3) and (5) (b) represents to a large extent an alliance between the rating and taxing authorities to carry out collectively on behalf of the community beneficial services which would otherwise be provided for, if at all, by individuals out of their own surplus of income over expenditure on mere subsistence.

The relation of Debt Services to taxation requires special treatment.

Payments for interest and amortisation of external debt involve the abstraction from industry of a portion of its earnings for the purpose of remittance out of the country. Industry has, in fact, to work a certain number of days a year for the benefit of a foreign creditor in satisfaction of a loan or mortgage. Such a charge is, psychologically, very burdensome, especially if it is not balanced by some corresponding income, such as receipts from a railway built out of the proceeds of the loan which gives rise to the charge. In practice the limits of taxable capacity for the purpose of meeting such an external charge are very narrow ones in a world in which the nationalistic spirit is strong. If the attitude of the Middle West towards New York is characteristic of the average view taken by a debtor about his creditor, some idea of the difficulty of taxing the nationals of one country to pay creditors in another can easily be realised.

The question of foreign liabilities is further complicated by its inter-action with problems of export trade, balance of payments, tariffs, &c., and at the present moment, above all, by the effects of the catastrophic fall in prices.

If a definite conclusion with relation to a problem of immediate political importance is permissible here, it may be said that any British Government would probably find that the practical limits of the taxable capacity of this country for the purpose of paying interest

Public Administration

and principal on the War Debt due to the U.S.A. are such as to render further payment of any significant amount quite impossible.

It is relevant to observe that, apart from payments to the U.S.A. nearly a decade ago and the service of some comparatively minor market loans raised abroad for war purposes, the British taxpayer has not on balance been called upon to meet out of taxation any charge for external debt, such sums as have been paid to the U.S.A. having been collected from reparation either directly or through the intermediary channel of the European Allies.

Charges for the service of an internal debt are totally different in character and effect. There is much misunderstanding on this subject. The nation is often said to be groaning under an intolerable burden of national debt. This is an inaccurate and, to some extent, an untrue statement.

Taxation for the purpose of meeting internal debt charges is nothing more than a process of redistributing the national income, and does not in itself diminish the national income. The expenses of collecting the taxes and of administering the service of the debt are, it is true, an uneconomic charge, in that the people engaged in collecting the taxes and in managing the debt are withdrawn from productive activities which would presumably have increased the national income. Otherwise the charges for debt involve in themselves no burden on the nation as a whole.

Sinking fund payments may indeed be a useful method of assisting to build up capital for productive purposes. In fact, paradoxical though it sounds, a moderate national debt of the order of magnitude of the debt of the United Kingdom in 1913, in relation to the then national income, may be positively advantageous to a nation.

In the course of generations there have grown up various habits and customs and methods of financial organisation which depend on the availability of a considerable volume of government stocks, and the nation would have been seriously incommoded if some millionaire patriot had suddenly decided to extinguish the national debt.

The real burden of our present internal debt arises from the facts that (a) the charges for its services overstrain the administrative machinery of tax collection, and (b) the redistribution of the national income involved in providing for debt charges so large in relation to our present national income has seriously evil economic and social effects.

Here again the catastrophic fall in prices has immensely aggravated the difficulties and evil effects. If prices could have been kept stable at about the level of 1928 for example, the problem of meet-

Practical Limits of Taxable Capacity

ing the charges of the internal debt would not have been excessively alarming. One of the vices of violently fluctuating prices is that the same nominal total debt figure has a totally different commodity value as prices alter. Falling prices mean that an increasing share of the produce of industry has to be taken by taxation from industry and handed over to the holders of Government securities. With reasonably stable prices and progressively growing national prosperity, the same nominal debt charge while having a stable commodity value can be met out of the proceeds of a continually falling level of taxation; that is, by the abstraction of a progressively diminishing proportion of the proceeds of industrial activity.

Here again a definite conclusion upon a problem of immediate political importance may be hazarded. Even after allowance is made for the considerable reduction in interest charges which may be expected from Conversion operations, it is certain that, unless the level of prices can be very substantially raised, the practical limits of taxable capacity in Great Britain will not permit of payment of the internal debt charges in full for much longer, and it will become necessary (probably in conjunction with some all-round scaling down of wages and money obligations) to scale down the interest and principal of the national debt by legislative means.

This conclusion depends, however, on consideration of social justice and economic necessities which go far beyond the sphere of taxation problems, and it is time to return to the latter. So far as taxable capacity alone is concerned, it is probably not true to say that, if trade were less depressed and could look forward to returning prosperity, the level of taxation could not be maintained for some time to come at a figure high enough to provide for the annual charges of the existing internal debt. It is the difficulty of adjusting our economic structure to the overwhelming effects of the fall in prices which threatens us with the necessity of reconsidering our attitude towards sanctity of money contracts generally.

Returning to forms of government expenditure other than Debt Services, we may find it convenient to consider first taxation that is in one form or other in relief of or supplementary to local rates. The limits of rateable capacity are being separately discussed. It will be enough to say here that the historical English rating system is lacking in flexibility, and for this reason has to be assisted out of the proceeds of taxation to an extent which is often undesirable. There are always dangers in separating the responsibility for levying taxation from the responsibility for incurring expenditure. A more flexible system of local taxation which permitted local taxation of local incomes, and still more one which was able to rely, as in many cases in Germany, on revenue from property belonging to

Public Administration

the local community, would probably have prevented subventions from the taxpayer in aid of the ratepayer from playing so prominent a part in local finance. Apart from the insufficiencies of the rating system, the justification for grants from the taxpayer has been the desire to spread more equitably than is possible within the restricted limits of small local areas charges for services which might be regarded as having a national as well as a local value (*e.g.*, education, roads), or the demand of the nation as a whole for standards to which local opinion was likely in some cases not to conform for fear of the expense (*e.g.*, health, sanitation, police), or in some cases, it is to be feared, impatience of local variations and an urge towards centralised control.

The biggest difficulty about expenditure on Social Services generally, whether merely preventive or still more where it is meant to be constructive, is that of securing full value for money spent. The organised State of the twentieth century will probably require more, rather than less, collective action to do for the individual what in the complexities of the modern economic machine he cannot successfully do for himself. It is, however, open to question whether this can be achieved by an extension of recent efforts to impose new duties on the ordinary administrative machinery of government departments and local authorities and to pay for them out of centrally-collected taxes. It would appear to be desirable to examine whether the conscious planning ahead and the organised co-operation needed to meet new needs cannot be secured by means of considerable devolution of powers self-government—almost, it might be said, Dominion status—to public utility corporations and industrial and agricultural councils enjoying statutory powers, including powers of imposing levies (*c.f.*, the Indian cesses on jute, tea, cotton, &c., for research and other purposes connected with the industries in question) and making charges for services rendered. Industry might then do for itself some of the things which at present are either not done or are financed by the clumsy method of taxation.

In relation to expenditure on what may be termed the ordinary overhead charges of government, even if liberally interpreted, the limits of taxable capacity are seldom strained, unless in the matter of Defence. There is a continual struggle between the unwillingness of the taxpayer and the demand for more efficient (and more costly) administration, but there is normally a large margin of taxable capacity in an emergency. It is surprising how methods and standards of government adapt themselves to the available resources of a country. Nothing is more remarkable in India than the cheapness with which a very efficient machine of government is carried on, in spite of the poverty of the average Indian ryot. The one

Practical Limits of Taxable Capacity

exception is the cost of the Defence Forces, which, while strikingly inexpensive in relation to the gigantic needs of protecting the North-West Frontier, are never sufficient to satisfy the reasonable demands of those who are specially charged with responsibility for protecting India from the dangers of invasion. There are social and political obstacles in India to the full utilisation of her economic capacity to bear taxation; but, even so, the practical limits of taxable capacity in a community, or rather a host of communities, where average standards of living are very low, must, for a long time to come, render excessively difficult the task of combining reasonable provision out of taxation for slowly raising these standards with the task of insuring adequately at her own charges the inviolability of her land frontiers.

To return to Britain, the two classes of expenditure which raise acutely the question of the practical limits of taxable capacity are the Debt Service and the Social Services.

Between them the demands which they make on the machinery of taxation have undoubtedly overstrained both the economic and industrial system and the administrative capacity of the taxing authorities. If we could be certain that we were getting full value for our expenditure on the Social Services, that is, if we were really by collective action securing greater economic benefits for the community as a whole than could be secured by leaving the individual to perform the same services for himself or to leave them undone, the national dividend would be increased, not diminished, by such expenditure. The only question remaining would be whether the machinery of taxation itself could be organised in such a way as to raise the requisite revenue without causing economic or social damage which more than outweighed the benefits secured by the expenditure.

The question raised by the Debt Charges is partly the same. Can taxation raise the requisite revenue for expenditure which amounts to nothing more than a redistribution of the national dividend without causing undue economic or social damage? The Debt Charges, however, raise the further question whether the redistribution of incomes involved has not itself become socially and economically injurious.

The second question has already been answered in the affirmative, subject to the proviso that, if the level of prices were substantially raised and a period of trade recovery were in prospect, the Debt Charges might just become supportable.

The first question raises problems both of administration and of economics. Direct taxation on the scale at present levied is without question doing serious injury to the structure of our economic

Public Administration

life. What has proved, for the time being, to be administratively practicable has become economically injurious. It is partly on administrative grounds, but still more because the high direct taxation was doing visible economic damage that this country has recently reverted to the weapon of indirect taxation. High direct taxation itself reinforced the arguments for a protective tariff.

It is fairly clear that in this country the practical limits of taxable capacity have been over-passed in the matter of direct taxation, and that it would be to the economic advantage of the nation to reduce expenditure on services which are in themselves beneficial rather than try to retain direct taxation at the present level. Both the death duties and the taxes on income, particularly the income tax on the undivided profits of industrial concerns, are to some extent trenching on the nation's capital. (The fact that death duties are a levy on the capital of individuals is not in itself an argument for not imposing them. The damage is done if and when death duties or any other tax cannot be paid out of the accruing income of the nation as a whole without trenching on the nation's capital, by *e.g.* leaving an insufficient margin for depreciation and obsolescence.)

Protective duties cannot be relied on to bring in revenue except within modest limits, and the dangers of relying too heavily on revenue from Customs duties are well illustrated by the Indian Budget.

The taxing authority's duty to distribute the burden equitably is also difficult to fulfil if indirect taxation is heavy.

The British Budget for 1931-2 closed with a surplus, and, on paper at any rate, the Budget for 1932-3 is balanced. There are few other national budgets in the world which are really balanced.

The reason for this universal phenomenon of unbalanced budgets is, broadly speaking, the catastrophic fall in prices, which itself may be said to be the outcome of the breakdown of the system of automatic (and often brutal) economic adjustments on which nineteenth century *laissez-faire* relied. With our control over the economic machinery of civilisation thus impaired or lost, it is not surprising that the practical limits of taxable capacity are being everywhere exceeded. The attempt to maintain standards of living for everyone, above those which the economic activities of the nation justified, by means of government expenditure out of taxation is in part responsible for the breakdown, but only in part. Some reconstruction of our economic machinery, more far-reaching than a mere slowing down of government expenditure or a mere elaboration of the machine of taxation, together with some lightening of the burden of debt in relation to prices and the national income, will be essential to complete recovery.

Practical Limits of Taxable Capacity

I have endeavoured in this paper not so much to make a scientific study of the concept of taxable capacity as to let my thoughts range, a little discursively, over the whole field of taxation and government expenditure and their relation to present distresses. I am conscious that the result may be a different kind of paper than was expected of me when I was entrusted with its preparation. I can only hope that it will serve to set in motion a sufficient number of trains of thought on the subject of taxable capacity to provoke an animated discussion at the Conference.

The Practical Limits of Rateable Capacity

By FRANK HUNT, C.V.O., F.S.I.

[*Paper to be discussed at the Summer Conference of the Institute of Public Administration, Cambridge, June, 1932*]

Introduction

MOST people, particularly from the happenings of the past year, have to some extent been familiarised with the question of taxes and taxable capacity. It is doubtful, however, whether there is the same understanding of the question of rates and rateable capacity, and the relative position of taxes and rates in the sphere of national economy.

The title of the paper appears to propound an abstract problem, but I shall perhaps best deal with it on the concrete case presented by our circumstances at the present time. Local government, like other matters, has been much affected by the war and the upheaval in values and conditions which the war has produced. It is a question of interest and importance to consider where we now stand in regard to local government expenditure.

It is hardly necessary to say that the great extension of local government has been one of the features of the development of this country in the last 70 or 80 years. Until modern times there was little in the nature of local government in this country, and even the sphere of the National Government was very limited. As pointed out in the report of the Committee on Ministers' Powers recently issued—

“Before the middle of the nineteenth century the main functions of government in England were those of defence and police. The State Departments were few in number, and the management of the life of the people was not regarded as a function of government.”

In recent times this has been entirely changed, as pointed out in the report (June, 1931) of the Committee on Finance and Industry in the following paragraph:—

“The most distinctive indication of the change of outlook of the government of this country in recent years has been its growing preoccupation, irrespective of party, with the management of

Practical Limits of Rateable Capacity

the life of the people. A study of the Statute Book will show how profoundly the conception of the function of government has altered."

This has necessarily resulted in a great extension of the sphere of local government.

Amount and Growth of Rates.

The following table from the latest issue of the Ministry of Health return "Rates and Rateable Values, England and Wales," shows the amount of rates and rateable value and other figures indicating the burden of rates in each year since 1913-14:—

Rates collected in England and Wales during the period 1913-14 to 1931-32.

Year ending 31st March	Total receipts of local authorities from rates	Value upon which rates were leviable	Average amount of Rates collected ^(a)		Percentage increase since 31st March, 1914, in average amount of the rates in the pound
			Amount in the pound	Amount per head of estimated population (a)	
1	2	3	4	5	6
	£	£	s. d.	£ s. d.	%
1914	71,276,000	211,563,000	6 8½	1 18 11	—
1915	73,734,000	214,258,000	6 10½	1 19 11	2
1916	75,851,000	216,350,000	7 0½	2 0 8	5
1917	72,885,000	217,122,000	6 8½	1 18 10	—
1918	75,377,000	218,633,000	6 10½	2 0 1	2
1919	84,700,000	219,650,000	7 8½	2 5 2	15
1920	105,590,000	220,714,000	9 6½	2 16 4	42
1921	151,865,000	223,656,000	13 7	4 0 11	102
1922	170,872,000	234,021,000	14 7½	4 10 2	116
1923	157,274,000	239,141,000	13 1½	4 2 5	95
1924	143,275,000	236,465,000	12 1½	3 14 7	80
1925	141,977,000	241,975,000	11 8½	3 13 3	74
1926	148,598,000	246,833,000	12 0½	3 16 5	78
1927	159,000,000	256,103,000	12 5	4 1 5	85
1928	166,679,000	258,879,000	12 10½	4 4 10	91
1929	166,466,000	267,639,000	12 5½	4 4 4	85
1930	156,312,000	(284,937,000) (b) (255,274,000)	11 6½	3 18 11	72
1931	149,000,000	257,429,000	11 7	3 14 10	72
1932	148,000,000	265,325,000	11 1½	3 14 1	66

(a) Col. 5.—Estimated population in June of each year, excepting for the years ended 31st March, 1922 and 1932.

(b) Col. 3.—Year 1930. The larger sum is the value in April, 1929, excluding the rateable value of agricultural land and agricultural buildings outside London, and the assessable value of agricultural land in London, amounting in all to £7,436,000. The smaller sum is the rateable value on 1st October, 1929, on which the rates for the half-year commencing on that date were leviable.

Public Administration

We therefore start with the fact that the amount levied in rates in England and Wales last year was about £148,000,000, and that it has risen to this amount from £71,276,000 in 1913-14.

It will be easily appreciated that this increase in expenditure must be mainly due to the alteration in values produced by the war, and particularly in the rise of the standard of pay, which in the case of most local services, and particularly of education and police, form so large a portion of the total expenditure of local authorities. There is also to be taken into account the growth of the population of the country in the period of 18 years, and the consequent increase in requirements, as well as the extension of certain services since the war.

Figures indicating the increase of the burden are given in other columns of the table; but to appreciate the value or significance of these it is necessary to consider the question in some detail under the various heads.

Value on which Rates are Levied.

Figures of the value on which rates have been levied since 1914 are given in column 3 of the table above.

There was, as may be expected, only a trifling increase in the total in the years of war, and this continued until 1925-26. Broadly speaking, up to 1926 there had been no revision of pre-war assessments to give effect to the alteration in values, and it was not until 1929 that some revision took place generally throughout the country outside London, under the Rating and Valuation Act, 1925.

It will be seen that there was a rise in rateable value from £267,639,000 in 1928-29 to £292,373,000 (including £7,436,000 in respect of agricultural land and buildings) in 1929-30, an increase of £24,734,000 or 9 per cent. Between 1913-14 and 1929-30 the total addition in respect of new building and rebuilding in 16 years and revision of pre-war assessments was £80,810,000 or 38 per cent.

After 1929-30 the total was reduced by the de-rating of certain classes of property under the Local Government Act, 1929. This de-rating completely exempted agricultural land and buildings, formerly subject to an exemption of three-fourths, and exempted industrial and freight transport hereditaments to the extent of three-fourths, the total reduction being approximately £36,000,000. The then Chancellor of the Exchequer (Mr. Winston Churchill) in dealing with the proposal said:—

“ I have therefore proclaimed a fundamental proposition that the tools and plants of production—the properties, the buildings, the land and the machinery used for actual creative production—should not be taxed.”

Practical Limits of Rateable Capacity

The loss of rates by these exemptions is made good by payments from the Exchequer to the extent of the loss in the first year, the contribution being stereotyped at that amount.

The fact which I would emphasise in regard to rateable value is that the pre-war assessments, particularly of residential properties, have not up to the present been revised to anything like the full extent to accord with the increase in values since 1914.

Rate in the £: Amount per Head.

The average rate in the £ in 1931-32 was 11s. 1½d., which compares with 6s. 8½d. in 1913-14, an increase of 66 per cent. This increase is subject to the qualification given in regard to the increase in rateable value, that the pre-war assessments of property have only up to the present been revised to a limited extent to follow the general rise in values. Local expenditure has, on the other hand, felt the full force of the rise in pay, cost of materials, and interest on capital, and even if there were no extension of services in the period a greatly increased rate in the £ must be expected.

The rates in 1931-32 amounted to an average of £3 14s. 1d. per head of the population as compared with £1 18s. 11d. in 1913-14, an increase of 90 per cent.

There has, however, been an important change in the circumstances of the population which should be taken into account in this connection. The size of the family has been decreasing rapidly, and whilst the increase in the population of England and Wales is comparatively small, being only about 11 per cent. since 1911, the increase in the number of families is over 30 per cent. The reduction in the size of the family means that there is on the average nearly one child less per family than 20 years ago.

If the expenditure were calculated per family the increase since 1914 would probably be about 60 per cent. as compared with the increase of 90 per cent. per head of population.

As compared with this increase in rates there has been on the other hand, according to the Ministry of Labour figures, an increase in wages of 66 to 70 per cent., which gives some indication of the increase in the standard of income in the period.

Whilst it is impossible to get any accurate measure of the relationship of the change since 1914 in the amount of the rates, and of the capacity of the ratepayers to bear them, I think that on the average there has been little if any change for the worse in this respect in the period.

Diversity of Rates throughout the Country.

The foregoing figures relate to the total expenditure of the local authorities of the country and the averages for the whole. It is,

Public Administration

however, necessary to consider not only averages but the actual figures for the individual local authorities.

The following table from the last annual return "Rates and Rateable Values, England and Wales," issued by the Ministry of Health, gives a useful summary of the position:—

Rates Levied and Collected in Individual Areas in England and Wales.

Poundage Rate in 1931-32.	Number of areas in which the poundage was within the limits indicated in Col. 1				
	All local rates levied in				General rate leviable in rural districts
	Metro-politan boroughs	County borough	Other boroughs and other urban districts	All urban areas (totals of cols. 2, 3, and 4)	
1	2	3	4	5	6
Under 6s.	—	—	1	1	11
6s. and less than 8s. ..	—	4	11	15	95
8s. " " 10s. ..	7	6	148	161	285
10s. " " 12s. ..	13	20	351	384	153
12s. " " 14s. ..	6	21	273	300	53
14s. " " 16s. ..	1	18	154	173	37
16s. " " 18s. ..	2	12	55	69	8
18s. " " 20s. ..	—	1	24	25	—
20s. and over.	—	1	19	20	1
Number of areas in each group	29	83	1,036	1,148	643

It is stated in the report that—

"The extreme range of the amounts in the pound for the year 1931-32 was, in urban areas, from 5s. in Roxby-cum-Risby (in Lincoln, Parts of Lindsey) to 26s. in Abertillery (in Monmouth), and in rural parishes from 1s. 4d. in a parish in the county of Nottingham to 28s. 3d. in a parish in Glamorgan."

As to the causes of the diversity in rates the Ministry's report contains the following paragraph:—

"Causes of diversity in the amounts per pound of the rates.—Many factors operate to produce diversity in the amounts per pound of the rates levied in the several rating areas. In some areas the services charged on the local rates are more numerous and more fully developed than in others. Amongst areas at the same stage of civic development the poundage rate is generally lowest in those in which the amount of rateable value per head of population is highest. But this generalisation is subject to

Practical Limits of Rateable Capacity

exceptions traceable ultimately to (*e.g.*) peculiarities of site, soil, climate or boundaries; the character and circumstances of the local industries (including rates of wages); diversity in regard to the amounts available, in reduction of rates, from non-rate sources (Government grants, rents of Corporate property, &c.); profits or losses arising from municipal trading; local custom; and the efficiency or otherwise of the local administration during—it may be—a long period of years.”

As regards this summary of the causes of diversity of rates I would emphasise the importance of the factor of the rateable value per head. It cannot be expected that with a rateable value of £5 per head a district will be able to meet its expenditure with the same rate in the £ as a district where the rateable value is £15 per head; and when it is considered that the former district is likely to be mainly a working-class district with a heavy demand for public assistance, the great diversity in rates is not to be wondered at.

This diversity of rates indicates how difficult, if not impossible, it is to suggest any limit of rateable capacity for general application.

Measure of the Present Burden.

With an average rate in the £ for the country of about 11s. 1½d. a large number of areas have a rate of about 10s., and it will be useful to obtain as clear an idea as possible of what a rate of 10s. represents in the outgoings and means of the ratepayer.

Taking an ordinary residence rented by the occupier the rateable value would in normal circumstances be the rent paid by him less an allowance for repairs and other minor outgoings, which allowance now ranges from 40 per cent. for the smaller houses to a little more than one-sixth for the larger houses.

Taking cases of an allowance of one-fourth (which applies to a rent of £40 outside London) the ratepayer pays in rates 10s. in the £ on three-fourths of his rent, that is he pays in rates 37½ per cent. of the amount he pays in rent. It is generally recognised that it is not prudent for the householder of moderate means to pay more than one-sixth of his income in rent and rates, and although this sometimes reaches one-fifth or even one-fourth in the case of working-class tenants, it is frequently much less than one-sixth in the case of those with greater resources. In the calculation by the Ministry of Labour of the increase in the cost of living, rent and rates are given a weight of 2 points out of 12½, that is 16 per cent., or slightly less than one-sixth. Taking a ratio of one-sixth, the ratepayer would with a rate of 10s. in the £ pay in rates 4.55 per cent. of his income or one-twenty-second part. It will probably be generally agreed that such a rate is within reasonable limits.

Public Administration

On the same basis a rate of 20s. means that the occupier pays in rates nearly one-tenth of his income. Such rates are now, and were even before the war, paid in a number of districts, and it cannot, therefore, be said that they are beyond the rateable capacity of the ratepayers in these districts. It is no doubt generally the case that the districts with exceptionally high rates are districts in which rents and values are low, whilst the rates are very generally collected by the owners with the rent, which greatly eases the payment by the poorer ratepayers.

I would add that at the present time, so far as my knowledge goes as regards London and the neighbourhood, rates are well paid even in districts where the rate is high, and the losses in irrecoverables are trifling and less than in pre-war years.

As regards business and industrial premises, whilst their rateable value is arrived at on the same principle as that of residences, the rates paid are part of the outgoings of the business and are passed on to the purchasers in the price paid. In the case of factories it is an addition to the cost of production, and may therefore affect the sale in competition with manufacturers in other countries. The de-rating of industrial hereditaments by which they are exempted to the extent of three-fourths of their rates, largely disposes of this consideration. De-rating to the same extent applies to freight-transport hereditaments, which include railways, canals, and docks.

Services on which Rates are Expended.

On the other side of the account there are the services performed for this rate expenditure. It is particularly desirable to consider to what extent the purposes are beneficial to the ratepayers and to what extent they can be considered non-essential or in the nature of luxuries.

Appended is a table compiled from the latest Local Taxation Returns of the Ministry of Health giving a summary of the expenditure and receipts of local authorities in England and Wales in the year 1929-30 and of the loans outstanding at the end of that year. The expenditure in that year was £175,459,410, and deducting from this the Exchequer reimbursement in respect of de-rating, grants under the Agricultural Rates Acts, and transfers from trading accounts, and allowing for alteration in balances, the amount falling on the rates is £156,311,767, as shown in the table of rates collected given above.

In this table I have arranged the services in three groups which I have designated (1) onerous, (2) beneficial, (3) remunerative, with a

Practical Limits of Rateable Capacity

balance for miscellaneous purposes. The totals for these groups are as follows:—

Groups of Services	Total expenditure 1929-30	Receipts		Balance falling on the rates, etc.
		Fees tolls rents, etc.	Exchequer grants.	
	£	£	£	£
Onerous	44,417,398	4,381,693	3,201,908	36,833,797
Percentage of total	10'6	2'8	3'7	21'0
Beneficial	212,499,811	14,845,202	72,346,208	125,308,401
Percentage of total	50'6	9'4	82'7	71'4
Remunerative	116,106,779	114,984,742	365,184	756,853
Percentage of total	27'6	73'1	'4	'4
Housing schemes	32,394,801	18,467,394	11,338,816	2,588,591
Percentage of total	7'7	11'7	13'0	1'5
	148,501,580	133,452,136	11,704,000	3,345,444
	35'3	84'8	13'4	1'9
Miscellaneous	14,910,675	4,759,536	179,371	9,971,768
Percentage of total	3'5	3'0	'2	5'7
	420,329,464	157,438,567	87,431,487	175,459,410
Less Exchequer reimbursement in respect of de-rating, grants under Agricultural Rates Acts, etc.				19,147,643
Net expenditure falling on the rates.. ..				156,311,767

" Onerous " Services.—The " onerous " services, which involve more than one-fifth of the total charge on the rates, are those for the relief of the poor and the afflicted, which produce no return beyond the discharge of a natural obligation, which was recognised as a duty of local authorities long before any other purpose. The poor law administration in this country began as long ago as 1601, being the first purpose of organised local administration the expenses of which are met out of rates. The assessment of property for the levy of rates in this country was begun under the Statute 43 Eliz., c. 2, which has since been given the short title of " The Poor Relief Act, 1601." Not only was the assessment of property for rates begun under that Act, but the Act still remains in force and forms the basis, with comparatively minor amendments, of the whole system of rating in this country up to the present time.

These services are of a character which a civilized community cannot avoid or shift the responsibility for, and the only question for consideration is whether the services are being administered

Public Administration

reasonably and efficiently and with due regard to economy. Nearly 100 years ago a Royal Commission (the Poor Law Commission of 1834) reported on the demoralisation which was produced by the administration of the poor law at that time, and laid down certain fundamental principles for future guidance, one of which was to the effect that the recipient should not be placed in a better position than independent labourers of the lowest class. Whilst the abuses of the poor law that existed 100 years ago have long been abolished, in more recent times legislation and administration have tended to get rid of any stigma or disability in respect of poor relief.

"Beneficial" Services.—This group comprises the various general heads of local administration in respect of highways, public health, education, police, &c., as set out in the table appended. I have described them as "beneficial" as they are, broadly speaking, in the nature of services which, if the local authorities did not provide them the inhabitants would have to arrange to obtain by payment in some other way, as was to some extent the case in past times before the development of local government. Whilst it will be readily recognized that the carrying out of such services as the paving, lighting, and maintenance of roads, the provision of bridges, and the maintenance of a fire brigade are highly beneficial, it is perhaps not appreciated how, even in comparatively modern times, the inhabitants had by other means to provide such services and to meet the cost by special payments.

As regards roads it is only necessary to refer to the turnpike roads which were maintained by the payment of tolls. It is still possible, as a reminder of the conditions in the past, even within the County of London to find a road where the passage of vehicles is only permitted on payment of a toll.

A more striking and modern example is that of the service of bridges. Taking the case of Waterloo Bridge, of which so much has been recently heard, this was a toll bridge between the time of its opening in 1817 and its purchase by the public authority in 1878. It was not until the same time that nine other bridges in London were freed from tolls. There must therefore be many people alive who paid tolls, possibly daily, for crossing the Thames by these bridges.

Even in the elementary services of paving, lighting, and maintenance of streets, owners of estates in London have found it necessary in the past to apply individually to Parliament for Acts appointing Commissioners for the carrying out of the necessary services, with powers for raising money from the inhabitants.

Education is a service which at the present day must be provided either at the cost of the community generally or at that of the parents individually so far as they are able to do so.

Practical Limits of Rateable Capacity

Sewers and sewage disposal and the collection and disposal of house refuse are vital and essential services from the point of view of public health, as are police and the administration of justice from the point of view of the safety and well-being of the community.

It is perhaps unnecessary to go through all the heads of beneficial services, but I would mention two others which seem to be those which come most near to the description of non-essential. These are (a) parks and open spaces and (b) public libraries and museums. Parks and open spaces are non-essential only in the sense that it would be possible for even a large urban community to exist in reasonable health and comfort without them. It is, however, hardly necessary for me to say that their provision and maintenance is a highly beneficial service. The service of public libraries is a more debatable question; they, however, place at the disposal of the public a service which if it did not exist many could only obtain at excessive cost.

"Remunerative" Services.—This group includes the services which, broadly speaking, are administered by the local authorities on the basis of making them self-supporting. They are services which have been in the past and are still to some extent provided by private enterprise. Apart from "housing" and "private street works, &c.," there was in the aggregate a deficiency of £787,939 in the year, but the actual transfers to and from the rate accounts, excluding "housing" and "private street works, &c.," were as follows:—

	£
Transfer from rate accounts to meet deficiencies...	2,521,181
Transfer of surplus to rate accounts	1,894,285
	<hr/>
Net transfer from rate accounts	£726,896

The service of housing, which I have placed as a special item in this group of remunerative services, calls for special remark. The figures cover both the clearance of insanitary areas and the provision of houses for the working classes generally (the two not being given separately in the official return). The clearance of insanitary areas (which dates from a period when there was little local government) is, of course, anything but a remunerative service in the sense in which I am here using the term.

The provision of houses to let is, however, in a different category. This might be, and actually was before the war, a remunerative service. Moreover, those local authorities who in pre-war years provided working-class dwellings share in the increase in values by the war, and when the loans are, as they will be within a reasonable period, paid off, they will be in possession of a valuable property.

Public Administration

In post-war years the position has been very different. The increase in the cost of labour and materials and in interest on capital made building so expensive that no private builder would undertake the provision of houses. As the shortage of houses became more and more pressing, the Government required the local authorities to proceed with the provision of working-class houses, the losses being mainly met by Exchequer grants.

The arrangements have been revised from time to time since 1919, and at the present time the Exchequer and the rates are bearing the deficiency on housing in the ratio of about two to one.

As to the question generally I can speak from a close personal acquaintance with the matter of the reality of the emergency in regard to housing that has existed, and of the great benefits that have resulted from the housing schemes carried out by local authorities, not only to the persons actually housed but to the population generally by maintaining reasonable housing conditions.

There is one aspect of these services which needs to be particularly referred to in the present connection, namely, that a part of such a service as water supply may be met out of the ordinary rate and to that extent involve an exceptional addition to its amount. In London, for example, for a considerable number of years a part of the cost of the Metropolitan Water Supply was charged on the general rate, the rate involved rising to 7.58d. in 1922-3, after which the Metropolitan Water Board was empowered to meet its expenditure by an increase of its water charges. This is an indication of how the rate charge may be varied by special additions.

Loans.

It is also necessary to refer to the question of loans, as much emphasis is sometimes laid on the question of local indebtedness, and it is a factor to be taken into account in the consideration of rateable capacity.

The figures of loan expenditure in the year 1929-30 and outstanding at the end of that year are given in the table appended.

The totals for each of the groups are as follows:—

Groups of Services	Loan Expenditure 1929-30	Loan Debt—amount outstanding at 31st March, 1930
	£	£
Onerous	1,787,209	16,973,514
Beneficial	25,683,402	284,969,110
Remunerative	27,549,268	455,055,485
Housing—		
Housing schemes	30,575,699	395,803,015
Small dwellings acquisition	6,711,587	48,885,798
Other and expenditure not allocated	2,394,056	23,016,347
	94,701,221	1,224,703,269

Practical Limits of Rateable Capacity

It is notable that in respect of "onerous" services the amount of loans outstanding only amounts to £16,973,514. The explanation of this no doubt is that the Poor Law service being the oldest, there has been time for the arrangements as to debt repayment to operate in reducing the amount outstanding.

The debt outstanding on the "beneficial" services is large, but the total for the "onerous" and the "beneficial" services together does not greatly exceed the rateable value of the property subject to rates. Against this also there are sinking funds accumulated amounting to over £36,000,000.

The greater part of the large indebtedness of local authorities is in respect of remunerative services and housing. There is, I believe, no reason for thinking that the loans incurred for remunerative purposes, such as water, electricity, and gas supply, are not necessary and the expenditure such as would be regarded in private hands as a desirable enterprise.

Housing, as already stated, occupies a special position, which applies to loan as well as to other expenditure.

It must be borne in mind that the annual expenditure of the local authorities includes the sums necessary for the payment of interest on the loans outstanding and also for the repayment of loans within a specified period. In this way the local authorities, particularly in regard to remunerative services, are creating by annual payments a valuable future asset.

It is also the practice of some local authorities to meet out of the current rates expenditure which might, and generally is, met by loans. This would be the most economical method to adopt if it is possible to do so without causing undue fluctuations in the rate. The London County Council has been giving consideration to this question of the relative economy of the two methods, and in a report in March, 1929, state—

"In view of these results, we felt that some effort should be made in the direction of charging direct to rate account some part at least of expenditure which could be charged to capital account, in order to avoid the continuous accumulation of heavy interest charges."

It has as a result adopted Standing Orders providing that no separate item of less than £5,000 (unless it forms part of a larger expenditure) shall be charged to capital account, and that the annual maintenance estimates shall include a sum of not less than £250,000 each year to be applied in meeting capital expenditure of the year.

AGGREGATE EXPENDITURE
of Local Authorities in England and Wales in the year 1929-30, Loans outstanding and other particulars
(Compiled from the Local Taxation Returns)

SERVICES	Expenditure (other than out of loans)			Specific receipts (other than from loans and rates) in respect of each service			Balance of expenditure falling on rates, etc.	Loans expended during the year	Loan debt: Amount outstanding at the end of the year in respect of external loans
	Maintenance and other expenses not being loan charges	Loan charges	Total	Fees, tolls, rents and other receipts, not being grants	Exchequer grants (a)				
	£	£	£	£	£	£	£	£	£
Onerous.									
1. Relief of the poor (excluding maintenance of rate-aided patients in mental hospitals)	32,812,120	1,052,709	33,864,829	2,406,945	1,493,969	30,053,915	916,659	8,871,494	
2. Mental hospitals and patients therein	8,412,458	639,867	9,052,325	1,847,144	1,119,689	6,085,492	469,845	7,433,825	
3. Mental deficiency	1,456,895	43,349	1,500,244	127,604	678,250	694,390	400,795	668,195	
	42,681,473	1,735,925	44,417,398	4,381,693	3,291,908	36,833,797	1,787,209	16,973,514	
Beneficial.									
4. Education—									
(i) Elementary education (including industrial schools)	60,955,601	3,387,209	64,342,810	1,007,572	34,088,456	29,246,782	3,786,343	39,941,976	
(ii) Higher education	17,986,016	1,362,480	19,348,496	2,998,568	7,986,427	8,363,501	1,994,723	16,849,836	
	78,941,617	4,749,689	83,691,306	4,006,140	42,074,883	37,610,283	5,781,066	56,791,812	
5. Public Libraries and museums ..	1,938,276	96,518	2,034,794	162,569	9,069	1,863,156	108,831	1,063,416	
6. Public health—									
(i) Sewage and sewage disposal ..	5,213,513	4,924,884	10,138,397	684,796	706,788	8,746,813	4,355,253	59,319,243	
(ii) Collection and disposal of house refuse (b)	6,777,612	363,394	7,141,006	516,201	23,481	6,601,324	267,458	3,019,296	
(iii) Hospitals, sanatoria, dispensaries, etc.—									
For tuberculosis	3,066,339	272,601	3,338,940	117,467	1,697,849	1,523,624	293,839	2,623,512	
For venereal diseases	406,337	5,004	411,341	1,266	300,313	109,762	10,023	50,059	
For other diseases (fever, diphtheria, smallpox, etc.)	3,368,218	319,797	3,688,015	212,548	2,982	3,472,485	322,207	3,161,393	

(iv) Prevention of disease	608,622	6,759	615,381	32,839	687	581,855	10,366	42,662
(v) Salaries of medical officers of health, inspectors of nuisances and health visitors (so far as not allocated to specific services)	1,485,018	—	1,485,018	4,033	488,557	992,428	—	—
(vi) Maternity and child welfare ..	2,337,619	65,182	2,402,801	446,319	936,246	1,020,236	111,491	666,018
(vii) Baths, wash-houses and open bathing places	1,623,348	375,088	1,998,436	971,773	10,809	1,015,854	566,863	3,964,441
(viii) Parks, pleasure grounds and open spaces	3,979,792	1,237,010	5,216,802	1,344,963	162,335	3,709,504	1,572,215	16,036,257
(ix) Public conveniences	752,595	96,923	849,518	350,060	827	498,631	146,748	1,100,466
(x) Vaccination	180,819	—	180,819	—	7,100	173,719	—	—
(xi) Port sanitary service	104,399	2,685	107,084	13,639	41,927	51,518	450	16,845
(xii) Welfare of the blind	454,344	14,451	468,795	31,474	8,470	428,851	21,495	114,033
(xiii) Other health services	738,971	205,342	944,313	158,225	20,227	765,861	173,961	2,193,518
7. Town planning	31,097,546	7,889,120	38,986,666	4,885,603	4,408,598	29,692,465	7,852,279	92,307,743
8. Agriculture and fisheries—	105,446	313	105,759	3,647	—	102,112	318	4,974
(i) Allotments and small holdings	833,035	1,291,922	2,124,977	1,254,497	1,152,089	281,519	391,435	20,493,366
(ii) Land drainage and embankment and river conservancy	733,065	365,952	1,099,017	287,149	81,912	729,956	401,947	5,214,607
(iii) Other items	289,523	1,897	291,420	65,022	37,844	188,554	250	18,831
9. Highways and bridges (excluding lighting, but including scavenging)	1,855,643	1,659,771	3,515,414	1,606,578	1,271,845	636,991	763,632	25,726,804
10. Public lighting (lighting streets, etc.)	42,220,650	8,634,686	50,855,336 (c)	2,385,244	13,712,494	34,757,598	10,559,582	103,048,971
11. Fire brigades (engines, etc.)	4,281,246	48,073	4,329,319	75,439	4,661	4,249,219	50,246	332,552
12. Police and police stations	2,069,655	331,199	2,300,854	249,218	11,314	2,040,322	219,272	2,673,738
13. Administration of justice	21,488,437	173,297	21,661,734	762,147	10,441,516	10,488,071	338,678	2,054,739
14. Registration of electors	1,377,663	69,031	1,446,694	627,947	45,661	773,686	9,498	937,236
15. Valuation expenses	721,555	—	721,555	20,925	366,767	333,863	—	5,282
16. Costs of rate collection	1,860,881	3,532	989,436	29,819	—	959,617	—	1,843
		63	1,860,944	29,926	—	1,831,018	—	—
	188,944,519	23,555,292	212,499,811	14,845,202	72,346,208	125,308,401	25,683,402	284,969,110

SERVICES	Expenditure (other than out of loans)			Specific receipts (other than from loans and rates) in respect of each service			Balance of expenditure expended falling on rates, etc.	Loans expended during the year	Loan debt: Amount outstanding at the end of the year in respect of external loans
	Maintenance and other expenses not being loan charges	Loan charges	Total	Fees, tolls, rents and other receipts, not being grants	Exchequer grants (a)				
I	2	3	4	5	6	7	8	9	
Remunerative.									
17. Water supply	9,925,476	9,018,536	18,944,012	17,376,813	90,769	1,476,430	4,930,240	163,237,424	
18. Gas supply	14,113,827	2,792,505	16,906,392	16,988,248	30,321	112,177	1,444,215	27,857,779	
19. Electricity supply	18,311,233	10,184,115	28,495,348	28,718,972	110,661	334,285	14,064,882	106,544,442	
20. Tramways, light railways and omnibuses	22,476,661	4,107,997	26,584,658	26,671,905	48,541	135,788	2,073,128	38,462,223	
21. Ferries	480,786	154,285	635,071	585,695	44,901	4,475	102,094	1,547,482	
22. Markets	1,470,475	460,161	1,930,636	2,253,783	693	323,840	734,136	8,152,441	
23. Cemeteries	1,332,229	245,110	1,577,339	1,122,634	5,291	449,414	196,266	2,550,763	
24. Harbours, docks, piers and canals ..	9,216,691	4,684,076	13,900,767	13,903,882	29,581	32,696	1,435,928	97,203,682	
25. Miscellaneous trading services ..	1,142,327	102,543	1,244,870	1,214,115	599	30,246	283,097	1,338,561	
26. General corporation estates.. ..	78,469,705	31,749,388	110,219,093	108,836,047	361,267	1,021,779	26,164,886	446,914,797	
	520,902	349,612	870,514	1,100,533	3,821	233,840	564,075	6,220,743	
	78,990,607	32,099,000	111,089,607	109,936,580	365,088	787,939 (d)	26,728,961	453,135,540	
Mainly Remunerative.									
27. Housing—									
(i) Housing schemes	8,556,907	23,837,894	32,394,801	18,467,394	11,338,816	2,588,591	30,575,699	395,803,015	
(ii) Small dwellings acquisition ..	282,689	2,325,533	2,608,222	2,660,874	—	52,652	6,711,587 (e)	48,885,798	
	8,839,596	26,163,427	35,003,023	21,128,268	11,338,816	2,535,939	37,287,286	444,688,813	
Reimbursed Expenditure.									
28. Private street works and other works of private improvement	2,250,961	157,989	2,408,950	2,387,288	96	21,566	820,307	1,919,945	
	90,081,164	58,420,416	148,501,580	133,452,136	11,704,000	3,345,444	64,836,554	899,744,298	

29. Other specific services and expenditure not allocated to specific services	13,019,895	1,890,780	14,910,675	4,759,536	179,371	9,971,768	2,394,056	23,016,347
30. Totals	334,727,051	85,602,413	420,329,464 (f)	157,438,567	88,431,457	175,459,410 (g)	94,701,228	1,224,793,269 (h)

- (a) Col. 6. Including grants made in connection with schemes of work for the unemployed.
- (b) Item 6 (ii). Including scavenging (other than scavenging of roads and streets, which is included against Item 9).
- (c) Item 9, Col. 4. Including approximately £4,088,000 in respect of scavenging and watering of roads and streets not charged as maintenance.
- (d) Items 17-26, Col. 7. The amounts are net, i.e., deficiencies on some undertakings have been balanced against surpluses on other undertakings in each class. The sums transferred from rate accounts to meet deficiencies in the accounts of such of the services mentioned in Items 17-26 as showed deficiencies amounted to £2,521,181; and the surplus profits transferred in relief of rates from the accounts of such of the services as showed surpluses amounted to £1,894,285.
- (e) Item 27 (ii) Col. 8. The greater part of this sum was advanced on loan by the local authorities for the acquisition of houses.
- (f) Item 30, Col. 4. Excluding expenditure met out of sums transferred from one account to another account of the same local authority (£4,784,975), and out of sums received by local authorities from other local authorities (£22,065,936) in respect of work done or commodities supplied. These sums are excluded in order to avoid a duplicate reckoning.
- (g) Item 30, Col. 7.
- | | |
|--|-------------|
| (i) Balance of expenditure falling on rates, etc. | £ |
| (ii) Grants (other than those shown against Item (vi) below) not allocated to any one service .. | 175,459,410 |
| (iii) Transfers in aid of rates— | £ |
| (a) From Trading Accounts | 6,913,278 |
| (b) From Special Funds Accounts | 1,894,285 |
| | 15,363 |
| (iv) Expenditure falling to be borne by rates and grants in compensation for loss of rates | 8,820,126 |
| (v) Rates received during the year | 156,639,284 |
| (vi) Grants in compensation for loss of rates— | £ |
| (a) Under Agricultural Rates Act, 1929 | 2,141,085 |
| (b) Under Section 112 of Local Government Act, 1939 | 11,544,469 |
| (vii) Amount by which balances were increased or overdrawn balances were reduced (net) | 159,793,341 |
| | 3,156,037 |
- (h) Item 30, Col. 9. £66,824,182 (including £30,238,511 in respect of loans entered against items 17-26) stood at the end of the year to the credit of sinking funds towards the repayment of each of the outstanding loans entered in column 9 as were repayable by means of those funds.

Public Administration

Exchequer Contributions.

The amounts met by rate are, of course, the net amount of the expenditure after deducting Exchequer grants.

The amount of these, together with the amount falling on the rates summarised from the table appended, is as follows:—

Groups of Services	Expenditure, 1929-30	
	Met by Exchequer Grants	Falling on the Rates, etc.
	£	£
Onerous	3,201,908	36,833,797
Beneficial	72,346,208	125,308,401
Remunerative	365,184	809,505
Housing—		
Housing schemes	11,338,816	2,588,591
Small dwellings acquisition	—	— 52,652
Other, and expenditure not allocated	179,371	9,071,768
	87,431,487	175,459,410

In total the Exchequer grants amounted in the year to approximately one-half of the expenditure falling on the rates. This includes special grants towards the cost of schemes of work for the unemployed under many heads, as already given in detail.

The large amount in the group of beneficial services is made up mainly of the grants in respect of education, highways, and police.

It is sometimes suggested that to arrive at the true position as to rates these grants should be ignored, which would increase the rate about 50 per cent., so that the average rate instead of being 11s. 6½d. in the £ in 1929-30 would be about 18s. The question of the proportions in which certain expenditure on services of a national or special character should be borne by the Exchequer and by the rates is one which has received much consideration in the past, and the arrangements as to which were revised as recently as 1929. In the case of these services the local authorities may be regarded as acting for the Government. In the Metropolitan area the police are under the direct control of the Government, but it would not for that reason be reasonable to suggest that there should be no contribution from the rates to the cost.

As regards the grants in respect of highways, it will be remembered that, with the development of motor traction, special taxes were imposed on motor vehicles, both business and luxury, to provide a " Road Fund " to meet the increasing cost of the highways. A few years ago the Chancellor of the Exchequer found it necessary to " raid " this fund on more than one occasion for general Exchequer

Practical Limits of Rateable Capacity

purposes. The grants from the fund in aid of road improvement and maintenance must be regarded as of a special character.

The Exchequer contributions do not include the payments by the Exchequer to the local authorities in reimbursement of the loss by de-rating. These, including the payments made under the Agricultural Rates Acts in the year 1929-30, amounted to £20,396,852, the figures for de-rating under the Local Government Act, 1929, being in respect of a half-year only. For a year the payment by the Exchequer in respect of de-rating amounts to £22,340,000.

Summary of Salient Considerations.

The amount of rates levied and the rate in the £ have greatly increased since 1914; but if due weight be given to the alteration in values in the period, the increase in population, and still more in number of families, and the changes in conditions generally, it is doubtful whether there is generally any considerable increase in the real burden of the rates since 1914. There have been considerable extensions of such services as housing and construction and maintenance of roads, but the added cost of these has been largely met by Exchequer contributions.

The services rendered for the payment of rates are in the main either definitely beneficial or in discharge of natural obligations which must be discharged by the community. They are essential to meet the requirements arising day by day, and are consequently of an entirely different character from the greater part of the national expenditure which necessarily is so largely for the purpose of meeting obligations contracted in the past and to provide for the contingencies of the future.

There is in England and Wales a great diversity in the extent of the burden as measured by the rate in the £, there being a considerable number even of urban areas with a rate of less than 10s. in the £ and an appreciable number with a rate of more than 20s. in the £. The figures of rates in the £ are, however, subject to the qualification that the assessment of property has not yet been adjusted to the altered values except to a limited extent.

A rate of 10s. in the £ would in normal circumstances, when values have found their level in all directions, mean that the ratepayer in a typical case would pay for all the services rendered to him individually, and as a member of the community, $37\frac{1}{2}$ per cent. of the amount which he pays in rent for the use of the house in which he resides; and assuming the rent and rates combined to be one-sixth or less of the ratepayer's income, it represents a payment in rates of 4.55 per cent. (one twenty-second part) or less of such income. A rate of 20s. in the £ would of course double these figures.

Public Administration

The wide range of the rates in the £ suggests the impracticability of mentioning any figure which should be regarded as a general limit of rateable capacity; the factors and circumstances governing the matter are too numerous and diverse to permit of any such general limit.

Provided efficiency and economy of local administration can be secured, there should be little danger of the resulting expenditure exceeding rateable capacity. There may be areas in which, owing to special circumstances or particular adverse conditions, such as unemployment at the present time, the rates may rise to excessive proportions; but these are cases for special assistance. Broadly speaking, I think that as long as the national finances are within the taxable capacity of the community there should generally be little difficulty in the ratepayers meeting the cost of the services performed for them by the local authorities if these are carried out with reasonable economy. Considering the nature and purpose of local government services, the vital consideration is to obtain efficient and economical service, particularly in such services as public assistance and education, where the possibilities of unnecessary expenditure are greatest. The Committee (of 1931) on Finance and Industry, after referring to the extension of government activities, stated:—

“It is of vital importance that the new policy, while truly promoting liberty by securing better conditions of life for the people of this country, should not, in its zeal for interference, deprive them of their initiative and independence, which are the nation's most valuable assets.”

This, I think, expresses a consideration which should always be borne in mind in the administration of services of the character referred to.

The State and Economic Policy

By COLIN CLARK

University Lecturer in Statistics, Cambridge; formerly on the staff of the Economic Advisory Council

[To be discussed at the Summer Conference of the Institute of Public Administration, Cambridge, June, 1932]

ON one occasion some two years ago I had spent a long time discussing a number of the points raised below with a certain civil servant of the old school. He ended up by saying: "Yes, on this point I agree with you—I think a Government should have an economic policy." With the matter stated in this manner we are at once plunged into the question of there being a need for the central direction, or just for the co-ordination, of policy on economic questions. And we are brought up against the fact that at the present time each Government Department in any way concerned with economic policy considers itself to be quite sovereign and independent of other departments in its own field, subject nominally to the control of the Cabinet, but in fact controlled only by the guiding hand of the Treasury. If we have one department—say the Board of Trade—engaged in promoting the rationalisation and reorganisation of an industry, there is practically no method or machinery whereby its efforts can be co-ordinated with and reinforced by the work of the Ministry of Labour, which will have to take responsibility for the problems of unemployment and labour transference which will be created, the Department of Overseas Trade, which is expected to help in finding overseas markets for the industry's produce, the Ministry of Health and the Local Authorities, which may be absolutely vitally affected by the closing down of works in one area and the opening up of other areas, the Ministry of Transport and possibly the big buying departments such as the fighting services and the Post Office.

I have chosen this illustration from among a number of possible illustrations of the need for co-ordination, because it draws attention to those departments which are in fact at present concerned in major issues of economic policy, and because it discusses the repercussions of what is in fact a very important practical issue of to-day. The rationalisation of industry, either directly under State auspices as in the Coal Mines Act of 1930, or indirectly countenanced and assisted

Public Administration

by the State, is a line of policy that any Government of the present time is bound to follow. The responsibilities which it involves may cause some Ministers to make wry faces, but none venture openly to suggest that this clock should be put back. At the present moment, it appears, the department which is taking the initiative in promoting the rationalisation of industry is no longer the Board of Trade as such, but our newly-created "Tariff Department."

One can easily find other illustrations of very great importance in the sphere of industrial and economic policy. Take for instance the question of industrial transference. Since the report of the Industrial Transference Board of 1928—a document much disapproved of at the time by numbers of different interests, but which apparently nowadays meets with general acceptance—the Ministry of Labour have undertaken responsibility for transference of men away from the depressed areas, and the training of the younger men and lads for alternative occupations (although I understand that both training and transference have recently been considerably slowed down owing to abnormal unemployment). But here again, the working of the Coal Mines Act, for instance, may have the effect of shutting down numbers of pits and of creating new depressed areas, or of restoring the fortunes of some of the existing depressed areas, new manufacturing industries are being fostered by tariffs, which clearly should be used to take off some of the surplus labour of the old depressed industries and areas; while the transference of labour on any appreciable scale is bound to involve questions of housing, and indirectly of town-planning and municipal services. But here again each of the departments concerned—or the diarchy of the Ministry of Health and the Local Authorities in the case of housing—acts on its own, or at best takes some vague cognisance of what other departments are doing. Of positive and constructive co-ordination there is none.

Perhaps it is not surprising that we find things as they are. After all, British institutions are British institutions, and we are always told that we must not expect to find them designed or thought out, but simply to find that they have grown up. The system works well in the sense that there is very little friction between government departments—the faults of the present system, as I have tried to suggest above, are faults of omission. Four of the departments now concerned with economic matters—the Ministry of Labour, the Ministry of Transport, the Ministry of Mines and the Department of Overseas Trade—have grown up out of the disintegration and subdivision of the Board of Trade. The economic functions of the Ministry of Health have inevitably developed with the growth of Local Authorities' trading services, housing and public works. The

The State and Economic Policy

division of functions between the Board of Trade and the Treasury has grown up over a very long period.

To sum up, the situation is that in the old days, when the Government's share in economic affairs was confined to the Budget and the National Debt, the making and unmaking of tariffs, and occasional intervention in the biggest industrial disputes, economic policy could be controlled by the Treasury and the Board of Trade, each working in its own sphere and each with its peculiar point of view. But during the last thirty years the immense extension of the economic functions of the State—health, unemployment and widowhood insurance, old age pensions, road fund, housing, electricity, railways, wages and hours legislation, conciliation in industrial disputes, to name only a few—has led to a fragmentation of the old departments and powers, and to a loss of central direction.

The powers of the Treasury, however, in many respects remain supreme: and as it is only from the Treasury that any central control of policy can be said to come. "Treasury control" has two aspects: the first is the insuring that each department shall, in the broadest sense of the words, live within its income, and not in any way outrun or get round the intentions of Parliament or the Cabinet, which is on the whole a necessary and useful form of control. But at the same time the Treasury line, at any rate since the war, has been to discourage as much as possible the raising of loans for capital purposes by all departments, in the interest of facilitating the conversion of the National Debt. This is a matter in which the interests of the one department with the problem of conversion, at most periods since the war, has run definitely counter to the interests of the nation as a whole.

Apart, therefore, from Treasury control, in its good and its bad aspect, there is no centralised direction of the economic policy of different departments, except in such comparatively minor matters as the recent drive to secure that each department and local authority should "Buy British." The illustrations I have given above refer mainly to the need for planning and co-ordinating the actual execution of the economic work which the Government has to undertake under its present responsibilities. There are many who advocate that the powers and duties of the State in the economic sphere should be considerably increased. This is a matter of politics on which I do not wish to take sides at the present moment; what I am concerned to point out is that unless we wish to see the existing responsibilities of the State diminished and discredited, we must think about creating some machinery which will weld into one policy, seriously thought out and properly planned in execution, these diverse activities of different departments. Without the creation of any important new powers, the co-ordinated direction of the existing powers of the State

Public Administration

in the economic field would enable a Government really to have an economic policy, and to see the execution of this policy really bite upon the slippery and intractable economic situation.

But before we go on to discuss methods by which such centralisation could be brought about, there is another aspect of the problem to be considered. From the administrative point of view, what interests us in the first place is the need for the co-ordination and planning of the existing economic functions of different departments. But in the long run it is certainly no less important that the Government should have a policy on the plain fundamental economic issues, such as the issue between inflation, the question of whether taxation and social expenditure should be increased or diminished, and the naked conflicts involved in the division of the proceeds of industry between wages, interest and profits, as well on the more immediate administrative problems. And if the Government and the administration are to command respect it must be a policy which has been well thought out; members of the Government must sincerely believe in it and understand its implications; and its execution must be carefully planned.

Now at the present time many ministers would fly in horror from the idea of the Government having any declared policy on the question, for instance, of whether or not wages should be reduced. Such matters, they say, must be left to be settled between employers and men, or to the ordinary workings of supply and demand. What they do not realise is that when the Government has to make decisions as to its policy, for instance, on unemployment benefit, it is affecting wage-level just as surely as if it were promoting wage-legislation or actively intervening in industrial disputes: for a Government which maintains unemployment benefit is indubitably buttressing up the existing level of wages, and a Government which reduces it is ranging itself on the side of wage reductions. Moreover the pressure of events during the last ten years has made the wages of the two largest bodies of wage-earners—the miners and the agricultural labourers—the subject of direct Parliamentary legislation, and it is really idle to pretend that the Government does not exercise a very large influence over and responsibility on the wage question.

The Trade Union interests which stood behind the late Government, not to put too fine a point on the matter, saw clearly enough, even if the Government did not, the advantage from the point of view of maintaining their wage-standards of keeping in power a Government which would resist any reforms in the Unemployment Insurance scheme.

In a different but no less important field of economic policy, the admission of the Government's responsibility for currency policy and control of the exchange rate must be reckoned a great advance.

The State and Economic Policy

Compare for instance the attitude of members of the Government to-day with their attitude twelve months ago on this problem.

I think it is a good sign when we have, as at present, a Government which is not afraid to say that it stands for a definite restriction of social services, and an Opposition which says that it stands for penal taxation of the higher incomes. Of recent years there have been far too many "policies" which were to bring about extended social services and lower taxation, higher wages and simultaneously higher profits, lower prices to the consumer and higher prices to the producer, a high exchange to suit the financier and a low exchange to suit the industrialist. A great deal of inconsistency is inevitable in politics; but we are at least entitled to ask that Ministers shall make up their minds on one side or the other on these issues, even though it is too much to ask that they should declare themselves unequivocally before the electors on such fundamental issues of economic policy (I have been a parliamentary candidate twice myself and so sympathise with ministers in this respect).

Thus far I have developed two rather different lines of thought—the need for the co-ordination of the existing economic functions of the State, involving a great number of difficult, and rather jealously subsidised, problems of day to day administration; and then on the other hand the need for some thinking organ which would in the first place enable ministers to make up their minds unequivocally on fundamental economic issues, and in the second place to indicate how the economic policy which "the Government ought to have" (cf. my first paragraph) can in due course be executed by use of existing powers or the creation of new powers.

I am still often asked what was the purpose of creating the Economic Advisory Council, on whose staff I served for a time, and what it is supposed to be doing. In spite of the wording of its "terms of reference," and of ministerial speeches at the time of its creation, it was from the start prevented from doing anything along the first line, of co-ordinating the economic activities of departments. I believe, however, that it was intended, at the time of its foundation, to advance along the second line, of formulating long-range policy and of indicating how it could be put into execution. I had best state straightaway my opinion (and which is simply a personal opinion) of its success. Although it has not been, as some critics say, a complete failure, yet its achievements have been extraordinarily limited: and such as they have been, have been, as I said above, in the direction of long-range policy (*e.g.*, the report on emigration recently published). Its fault lay to a considerable extent in its composition and organisation. A body of twenty to thirty men, meeting at best for a short session once a month, and often much less frequently

Public Administration

(throughout all the months of the "crisis" it never met at all) cannot hope to achieve anything but talk; and in actual fact all the work of value that has been done was done by sub-committees. To enable a Government really to get a grip on questions of economic policy a smaller body, meeting much more frequently, is required. But even so it is difficult to see whether at the present time it would achieve much. The main difficulties of the Economic Advisory Council have been difficulties of personalities, both on the side of ministers and of civil servants.

The objection which has always been raised against the idea of having anything like an Economic Council, and which could very justly be raised now, is that of the critic who asks: "What is the use of the Government consulting economists, when no two economists agree with each other, and it is impossible to form a committee of them because several turn out not to be on speaking terms?" This is all perfectly true. But the essential point which this critic misses, is that the differences which divide economists are merely an accentuated form of the differences which divide most of us—namely political differences. Protection or Free Trade, inflation or deflation, Government economy or higher taxation, wage restrictions or wage increases—on each of these issues economists have their ordinary political convictions and prejudices like the rest of us, and because of their study of these subjects they generally realise more clearly than the rest of us the questions of international relationships, of the honouring of obligations, and of social justice involved—and hence they feel correspondingly strongly. This is the cause of this apparent confusion among economists. It is when the Government, or anyone else, asks economists not to *advocate* measures, but to *describe the consequences* of various lines of policy, that it can hope to secure objective and scientific advice.

This I believe to be an essential point. It has been said, with justice, that ministers nowadays are too ready to ask for policy to be dictated to them, either by civil servants or by outside experts, rather than to state clearly what their policy is and then to ask advice on how it can be carried out. This may be due simply to the increasing difficulty of the task of Government, or, as some say, to the fact that the intellect and character of Ministers nowadays compares badly with that of previous times, but in either case it is a serious matter. It certainly is not fair either to civil servants or to outside experts to ask them to undertake the decisions which should be made by a political head. What we must have is ministers with clear-cut views on one side or other of these fundamental economic issues, or at least who only ask experts to advocate policies when they wish to be advised before themselves taking the crucial decisions.

The State and Economic Policy

With ministers who knew broadly what they wanted, and who were not all in a fog and trying to shirk having to make responsible decisions, a Government could lay down its line of policy on fundamental issues, and could then profitably seek advice from economists and business men as to the best way to achieve their objects.

This brings us back once again to the earlier issue of the co-ordination of the day-to-day work of different departments in the various fields of economic policy. It hardly needs saying that any advisory body of outside experts, however much "tightened up," would be most unsuitable for this task. What is needed here is some sort of council, of rather loose composition, consisting of the civil servants actually engaged in the administration of economic affairs in different departments. The working out of a proper relationship between this council and any form of Advisory Council concerned with long-range policy would be a difficult and important problem, but not, I think, insoluble. For both organisations there should be a proper secretariat and an expert research staff.

I should like to conclude with a reference to the question of statistics, in which I am specially concerned. When we are designing a creature we want to give him deft hands, strong legs and arms, and a thinking brain—but if we put in his eyes and ears as an after-thought we must not complain if he behaves in a primitive and undeveloped fashion, and his brain appears to spend much of its time revolving in the dark; and the sign of a really well-developed and advanced creature is to be found in the perfect harmony between eye, hand and brain. Now, in the field of economic policy the administrator must be the hand; the minister, closeted in council with his business and economic advisers, the thinking brain; and the statistician the eyes and ears, gathering information from all around and focusing it for the attention of the thinking and directing head. We need hardly wonder why our economic policy is such a clumsy beast: it has a pair of hands working largely by reflex action, no brain to speak of, and eyes and ears which are considered to be "a bye-product of administration."

I must leave the realm of metaphor, however, and must state plainly that the British system of official statistics is in a state of chaos. Not only are there some exceedingly serious omissions, but also the statistics which are compiled seem to be published with the maximum amount of disorder and delay. For instance our only source of information about the value of the output of different industries is the Census of Production. The report on the last group of industries in the Census referring to 1924 was published in March, 1932. Again, recently it appeared that information on this country's balance of trade was of very great importance in deciding questions

Public Administration

of policy. The Board of Trade's estimates of invisible exports and income from overseas investments turned out to be nothing but a collection of guesses based mainly on work which had been done by private investigators. More remarkable still, two separate Government Departments, the Board of Trade and the Inland Revenue (the work of the latter having received very little publicity) compile and publish separate estimates of the value of income from overseas investments, each disavowing the work of the other. Or, to take another matter of great importance in policy at the present moment, in connection with the steel import duties and the steel consuming industries. Owing to the imperfections of the Census of Production there is no way of knowing, even approximately, the amount of steel used by the different steel consuming industries.

A final illustration relates again to industrial statistics. Besides the Census of Production, our principal source of quantitative information about industry are the statistics of unemployment insurance, which show regularly the numbers employed and unemployed in each industry. It is rather difficult to believe that these figures and those of the Census of Production are compiled on an entirely different classification and it is almost impossible to compare the two. Altogether there are five separate departments which separately undertake the work of classifying all employers of labour according to their trades—the Board of Trade, the Ministry of Labour, the Census Office, the Inland Revenue and the Home Office—and there is no co-ordination between their work or the returns which they collect.

I think I may be excused at this stage from elaborating a detailed programme of statistical reform. I should like to subscribe heartily to the proposals made in Chapter V of the Macmillan Report. At the same time I am satisfied the job will not be properly done until the collection and compilation of all official statistics is centralised under a Central Statistical Office. The British system of allowing each department to collect and compile statistics on its own is now coming to be regarded internationally as an administrative curiosity; for with the exception of U.S.A., where an enormous mass of statistical work is undertaken by two closely related departments, there is no other big industrial country where the administration of statistics is not centralised. In Germany the Statistisches Reichsamt is an enormous organisation with very considerable powers, and similarly in the British Dominions. In Canada, for instance, the Dominion Statistician is an official in a unique position, with direct access to the Prime Minister and power to compel information from any department.

I think I can best finally illustrate the significance of much of what has been said above from the example of Australia. Australia has re-

The State and Economic Policy

cently carried through a recasting of her economic structure, which some of us may disapprove of or consider unjust, but which was, we must all agree, far-reaching and thoroughly carried out. It involves not only a retrenchment of State and Commonwealth expenditure and increases of taxation, but also wage and salary reductions, cuts in interest and rents, and control of imports and foreign exchange. Most of these fundamental changes were carried out on the recommendations and investigations of an expert committee. The point which I wish to emphasise is that had it not been for the existence of an excellent system of centralised statistical administration, and for the close liaison between the politicians and administrators on the one hand and their economic advisers on the other, such strong and effective measures of economic policy would have been inconceivable, as indeed they are in this country.

Report of the International Congress of Local Authorities, London, May, 1932

By Sir WILLIAM HART

THE International Congress of Local Authorities has met and dispersed, and it remains to gather up impressions of its meetings.

Reports of the proceedings have been published in the *Municipal Journal* and the *Municipal Review*, and it is therefore not necessary to recapitulate them here.

A comprehensive programme had been prepared, including various excursions and visits to different parts of the country, which served the important purpose of enabling our foreign visitors to see something of our social life, and to see also the practical working of some of our local government institutions.

It may generally be claimed that, although the Congress produced few outstanding personalities, it displayed considerable interest in wisely-chosen subjects for discussion, made those subjects more clear and better understood than they were previously, and made an advance in the linking together of local authorities in many parts of the world.

The Congress was the sixth of the kind, and the first to be held in this country. It was reported that forty-four States were represented at the meetings. The total number of delegates was about 700, and but for the severe financial position in which practically all countries are placed at this time, it was confidently anticipated that at least 2,000 delegates would have been present. It speaks well for some of the countries more seriously afflicted by their financial troubles that they sent delegations which adequately represented their views and ambitions.

A word of praise may be tendered to those who were responsible for the arrangements, which were not without difficulty, and which gave general satisfaction. It is well known that the Earl of Derby took a great interest in the preparation of the programme, and gave his wide experience for the benefit and guidance of the Executive

International Congress of Local Authorities

Committee. Mr. Montagu Harris, of the Ministry of Health, is to be congratulated on the great success of his preparations for the Congress. M. Wibaut made a dignified and competent President of the Congress, and M. Vinck, the General Secretary of the Association, was indefatigable in his efforts. It was interesting when speeches in English were being translated to compare his ready fluency and graceful movements of his hearers with the solid matter-of-fact manner of the German interpreter.

The opening meeting took place at the Central Hall, Westminster, on the morning of Monday, 23rd May. The Earl of Derby, who presided, put cordiality and good will into all that he said, and imparted that feeling at once to the audience. The Minister of Health, Sir E. Hilton Young, M.P., offered an official welcome on behalf of the Government, and pointed out how greatly the annual expenditure of the local authorities in England and Wales had increased. Fifty years ago it was £50,000,000, and now it is £533,000,000. If his intention was merely to show the staggering increase of local government expenditure during that period, it was enough to give figures without explanation, but seeing that there is the possibility of the figures being quoted as evidence of the extravagance of local authorities, it would have appeared to be not unreasonable that attention should have been drawn to the change in the value of money, the extension of public services, and other relevant facts, particularly the considerable expenditure on remunerative works, which would have made it clear that the past and present expenditures are not on comparable lines. The Minister was on safer ground in recording the decline of the general death rate from 19 to 12 per 1,000, and infant mortality from 130 to 66 per 1,000 live births. His plea that during the season of enforced halt because of lack of means all existing resources should be put to the best possible use was timely. Other speeches were given by representatives of several countries, and though on conventional lines, they had the ring of obvious sincerity, and indicated a warm interest in questions of local government. They were also commendably brief, and were followed by an address by M. Wibaut, the President of the International Union of Local Authorities, who (and surely unnecessarily) indicated at some length the reasons why the Congress had not been postponed. He looked to Lausanne and Geneva for a lead in the direction of world peace, without which, he assured us, the success of local government could not be obtained.

The afternoon session and the morning session of Tuesday were devoted to consideration of the question of the practical working of local authorities. For the purpose of concentrating information a questionnaire had been sent out to all the countries proposed to be

Public Administration

represented by the Congress. In the case of England and Wales, answers to this questionnaire had been prepared by separate representatives of the Municipal Corporations, County Councils, and Urban and Rural District Councils, and the resulting information had been collated by Sir Frederick Willis. The replies from the other countries, as well as that of this country, had been summarised and noted by Mr. Montagu Harris, and presented to the Congress in the form of a general report, which is of first-class importance. It shows the great variety of methods of working local authorities adopted in different countries. The Summary should be obtained and made use of by all who wish to study this aspect of local government. This report was taken as read, and discussion thereon was animated and continuous.

It was interesting to see how the representatives of different countries sought to explain the methods of local government in operation in their own countries, and in many cases they were frank enough to criticise respects in which they were considered defective. In this and the subsequent discussion I should say that the Germans were the ablest speakers. Their speeches revealed the considerable interest taken in Germany in all aspects of local government, and showed that in many respects they are ahead of other countries. German speakers, while admitting that their system of municipal government is, on paper, complicated, asserted that in fact it works satisfactorily. Until recently the influence of the elected council was increasing, but owing to economic conditions the State has had to grant subsidies, and is naturally therefore exercising greater powers of control, but amid all disappointments the local authorities are hoping before long to reacquire their former local autonomy. It is impossible to mention all the descriptions of local government given by representatives of various countries, and one or two references must suffice. It was interesting to note the eagerness of some of the smaller and newly-established countries in this question. Poland, for instance, displayed remarkable keenness and zest. Possibly there is no similar case in the world. What is now Polish territory was controlled by three empires, each having different systems of local government. The districts under Russian domination had no self-government whatever. There are now eight different systems in force at the present time, by reason of attempts that are being made to arrive eventually at unification. In general the system towards which efforts are tending is that of a deliberative assembly, elected by popular suffrage, and an executive body appointed by the elected assembly. With all their difficulties before them, our Polish visitors were enthusiastic as to the future, and, above all, they wish to ensure that the directly-elected body shall, as soon as possible, be the

International Congress of Local Authorities

effective governing body in the municipality. Spain, though it cannot be called a new country, had a brief experience during the Dictatorship of the working of local government by an elected council with extremely limited powers. Since the removal of the Dictatorship the Republican Government has enabled the public to participate more actively in local affairs.

Generally it may be said that the chief difference as between the system under which the government controls the local authority, either as in France, by the interposition of a government officer who either directly determines what shall be done or who has the veto over the action of the local authority, or the English system under which the local authority largely exercises self control, except in such semi-national questions as police or education, where the State subsidises the services to a considerable extent. The burgomaster system as operated in Germany, and the town manager system now in force in certain parts of the United States, were explained and attempts made to justify them. Mr. Brownlow, of Chicago, who has been a town manager in two American cities, explained, so far as the brief time allowed for his speech would permit, the town manager system in the cities, and he was at pains to assert that the town manager, contrary to what he imagines to be thought in England, is in no sense a dictator, but acts entirely under the direction of the elected council, and has no authority to initiate policy on his own account. It would have been interesting if Mr. Brownlow could have been allowed to develop his speech. I suggest the Institute might invite him or some one with equal knowledge to write fully on the experience of the town manager system in the States. We ought to know more about the system than apparently we know.

It was generally claimed by the various speakers that the system in vogue in their respective countries on the whole suits the people of those countries, but what they are aiming at obviously is that there should be, as nearly as may be, a position of independence of the central government. The people of the locality know their own requirements, and it was stated to be a matter of keen regret in some countries like Germany that the financial crisis has compelled arrangements with the central government by which subsidies are being granted to the local authorities. This necessarily means that the State must have increased control, and the earnest desire was expressed that before long this difficulty may be overcome and the local authority attain an increased measure of self-government. It was gratifying to find that the sentiment was expressed and warmly approved that the time has come when local government may claim a supreme part in the control of public affairs. It was put that local government is so eminently near to the day-to-day experience of the

Public Administration

public that it is essential that increasing attention and effort should be devoted to this service.

Our English system was not too generously presented to such an international gathering. Our first orator¹ described our larger city councils as an undisciplined mob, and claimed that we work under a lunatic constitution. When he followed this up by saying that our local government is highly successful, he reminded one of Macaulay's famous observation that Boswell's *Life of Johnson* was such an extraordinarily good one because Boswell himself was a fool. One wonders whether statements of this kind, when reinforced by ancient gibes about follies which pass muster in corporation committees, are calculated to give foreigners a true indication of what our position really is. It is common ground that Englishmen have a habit of depreciating themselves, or sometimes depreciating those with whom they are associated, and one would like to know how such statements affect the minds of foreigners. It was claimed by the same speaker that the success of our municipal government is due largely to the committee system, though why men who are incompetent in the council become wise in the committee was not fully explained. A tribute paid to the services of the officers who attend committees and to the town clerk for his guidance was well deserved. There were points in the more serious parts of the speech that deserve further discussion.

The fact is that critics who point out that members of our councils come into office without any previous experience and without any training for their post are giving only a partial view of facts. The general statement is true no doubt, but critics fail to recognise that all these persons do not come into the council at one time. The Council is constantly changing and there usually is at any time a fair percentage of experienced administrators who keep the balance between so-called untrained men and others by whom considerable and valuable public service is afforded. The supreme quality of our English system is that the councils represent directly the electors. It is often complained that electors do not take interest in the elections, and we have at times foolish suggestions put forward that those who do not vote at elections should be disfranchised. While it is perfectly obvious that such a suggestion is utterly impracticable, it may be pointed out that as a rule when electors fail to take an interest in an election it is because there is little difference between the parties or the policies which are seeking the support of the electors. When questions of sufficient importance are before the public the voters come to the election and record their views, and the value of the elected councillor representative is that he is better able

¹ See "The Practical Working of City Government in England," pp. 278-283 of this journal.
—EDITOR.

International Congress of Local Authorities

to know the minds of the electors than any other person. One can well suppose that if the control of our council were to be transferred to a person of the burgomaster type or to a small committee of five or six experts they might prove successful, but in my submission it would lack the great qualification which has been sought and fought for in this country,—namely, that the people themselves shall determine what is best for themselves, and whatever depreciation of individuals or groups may be justly urged, I maintain that it would be contrary to all our national history and experience that the expert should supersede the elector and his nominee, the elected person.

Mr. Montagu Harris replied to the discussion in an effective speech. There is only one comment he made on which I venture an expression of difference of view. He deplored the general custom that in municipalities the mayor is not elected for more than a year, whereas the chairman of a county council usually holds office for a series of years, and thereby gains experience and judgment which enable him to conduct more effectively the business of the council. I agree to some extent as to chairmen of county councils, though I think many of them hold office too long. The office of mayor, I suggest, is somewhat different. His office gives him pre-eminence in a comparatively small and concentrated area, and his social influence is felt more than that of a chairman of a county council. He has usually been a keen party man and he has looked upon all manner of questions in a party light. He comes for a year out of politics and learns to see questions in a broader way and with much less bias. He becomes a leader in the social life of the borough. His wife receives due recognition, and the wife of a public man seldom gets due acknowledgment for the sacrifices she makes on his behalf. In these days when a salary is often voted to the mayor working men are enabled to take office and often hold it creditably. Such a set of circumstances does not lend to the continuance of an office for a lengthy period. It is a laudable ambition to become the mayor, and the opportunity ought to be offered to as many worthy public men as possible.

The extremely interesting subject of the training of local government officers occupied the whole of the afternoon of Tuesday and the morning of Wednesday. Judging by the attendance this subject would appear to be of less interest generally, but the discussion did not lack interest both on the part of the speakers and the hearers.

Generally it was realised that the growing complexity and importance of local government call for a good type of officer and that he should be carefully and diligently trained. It is true that one of our English speakers thought that we might overtrain our officers, and that it would be more serviceable apparently to pick them up as

Public Administration

we may and let them find their way as they can. It would seem that this point of view arose largely from a feeling against bureaucracy, which is having a temporarily popularity to-day. There are not doubt many employers who would express the view, if they were asked, that it would be better if Trades Unions were abolished, but as a practical question it would seem not to be worth while debating. It is somewhat surprising thus to find it put forward by a public speaker in this country that special training of our local government officers should not be promoted.

The position in this country which to my knowledge was not put forward at the Congress is simple. We want to attract into the local government service men who will make excellent and careful officers. Entry into this service involves certain drawbacks. A feeling of profound concern went through our public service three or four years ago when it was decided in the Courts that a local government officer is liable to instant dismissal by his council, even though the council has given him a solemn agreement that he shall have a stipulated term of notice before dismissal. The fact that the law in this respect was not generally known is indicative that on the whole local authorities have treated their officers fairly as regards dismissal, but in my opinion the effect of the decided case is much more hurtful than is generally known. In addition, the officer is liable when questions of salary are being considered to be subject to public and unfair attack, to which, by the rules of the service, it is not proper for him to reply. Nothing is more contemptible than that ill will should be able to be exercised in this way, and lasting disparagement cast upon officers. There is also the rule that he shall not take part in politics, which in most cases perhaps is not looked upon as a real disadvantage. If, with these drawbacks, the service has to remain attractive there should be the application of the Superannuation Act all round and there should be provision too of adequate salaries. On questions of salary all that can be reasonably asked is that salaries of officers shall be comparable with those of corresponding positions in other vocations, so that the local government service might attract a good type of officer. If this could be made sure we might hope to attract a first-class type of officer and we should be entitled to call upon him to make himself fit for the service by undergoing a serious and exacting course of training. And it is highly encouraging that the need for obtaining special qualifications is being most strongly pressed by the officers themselves and their official Associations. The councils are not nearly so awake to the position as are their officers. Up to the present the matter has scarcely been dealt with by official organisations and local authorities. Happily they are beginning to realise their responsibilities in this matter. The Congress showed that other countries are pressed by the same

International Congress of Local Authorities

subject. In Germany particularly the subject has been taken up thoroughly and on the whole Germany would appear to be more advanced than in this country. Other nations than Germany appear to have done little in this direction, but it is obvious they are waking up and no doubt the Congress will have stimulated interest in the question.

A word of praise should be offered to Dr. Herman Finer for his excellent summary of the replies from different countries, which he prepared along with some other useful information of his own.

The Congress undoubtedly helped to elucidate questions of importance. It was gratifying to know that the visitors generally looked to England as being in the van of progress and they were undoubtedly affected in their views by what they have learned of the English practice.

One's personal recollection of the Conference recalls hard, uncomfortable chairs, meetings began unusually late (possibly this is a Continental practice) a method of translation of speeches which became a little wearisome, and a series of addresses of practical rather than of an imaginative nature. Many of the speakers lamented the financial stringency which seems to stifle all enterprise, to set back all development. But it would be a mistake to suppose that behind all this unemotional appearance there was no advance made. To-day the bleak austerity of economic policy rules everywhere. Local government expenditure is a subject of almost universal adverse comment. We are told we must reduce it. We must reduce it drastically. High financial magnates say so. Men who live little less luxuriously than ever they did are eloquent in saying that reduction of local government expenditure is the crying need of the times. In this country Parliament is to be called upon, is being called upon, to compel it. The men and women who attended the Conference had taken the measure of this agitation. It is essential that something must be done, and we hear of the promotion of new measures, the checking of existing activities, the stoppage of works that now provide useful employment, and mean salary cuts. But there was apparent in the Conference a vision that the local government authorities have a great work to do in bringing about contentment and communal happiness in the districts for whose advantage they are labouring in removing abuses and introducing amenities, and there is in their minds a determination that, when economy has done all it can, there will break out an era when each authority, in whatever country you like, will, with clearer light on its problems, make a great step forward. Then in other countries the towns will take up their duties in accordance with their high traditions and the authorities in the newer countries will leap to their opportunities.

The Practical Working of City Government in England

By Sir ERNEST SIMON

[*Speech delivered at the International Conference of Local Authorities, May, 1932*]

IT is easy to get information as to the constitutions of city government all over the world; it is very hard to get information as to the practical working of these constitutions. This is confirmed by Mr. Harris' able summary of the replies received to the questionnaires from many countries, practically all of which, as he points out, stop short of giving any real information as to how the different city governments work in actual practice.

As regards England, it is difficult to get general information on this matter. We have no municipal research bureau; our universities are only just beginning to take an interest in the matter. The Ministry of Health has a great deal of information and publishes certain comparative figures, from which deductions as to efficiency can be made, but the Ministry is very discreet. There have been a large number of Royal Commissions and Departmental Committees during the past ten years; here again, it is difficult to get much information as to the general efficiency of local government.

Practically speaking, one is driven back to information provided by individuals; here again, there is little material available; few books have been written. The pages of the I.P.A. Journal represent by far the most fertile field for the student. The best I can do therefore is to give such information as I have been able to obtain from my own experience, gained in connection with the Manchester City Council, and in conversations and visits of inspection to other cities.

The English system of city government is remarkable constitutionally for its extreme simplicity. A number of aldermen and councillors are elected, generally over one hundred in a large city, and they are left to get on with the job of governing the city with remarkably little direction or control from the government. They must appoint a mayor and a town clerk, but they are not com-

Practical Working of City Government

pelled to give either of them any substantial degree of responsibility. The mayor is generally changed every year and devotes the greater part of his time to ceremonial duties. He is rarely able to give any effective leadership to the council. The town clerk's statutory powers are very limited. He is usually regarded as legal adviser and to some extent as general adviser, but certainly not as general manager.

This constitution contrasts with that in all foreign countries where it is the general rule to give definite leadership by statute. In France, the *préfet* and the *maire* have large powers; in Germany, the *burgomaster* and the *magistrat* have in all cases very important responsibilities of leadership; in America, we have in many cases the strong mayor or the city manager. In all these cases the responsibility for leadership is concentrated on one person or a few persons; the English council by comparison is constitutionally a leaderless mob of amateurs.

Leadership, in any administrative job, is the essence of success. It is surprising that the failure to provide it in English local government has not had more disastrous results. Consider what would be said if a similar organisation were applied to a great business concern. Suppose, for instance, at the next general meeting of, say, Unilever, some shareholder were to get up and say that he had studied the work of English municipalities, he thought it was very efficient and he would like to see a similar constitution adopted by Unilever. He therefore moved the following resolutions:—

- (1) That one hundred directors should be appointed by a general meeting of shareholders; their principal qualification should be their ability to address the shareholders in persuasive tones. They should be unpaid and should only devote a portion of their time to the work.
- (2) That the chairman should not hold office for more than one year at a time, and should devote the greater part of his time to ceremonial work.
- (3) That there should be no general manager, as the appointment of one man in general charge might be disliked by some of the heads of departments, but that the head official should be a solicitor appointed mainly to advise the board of directors on legal matters.

Such a shareholder would be set down as a lunatic, and he would be told that any concern run under a constitution of that sort would inevitably be bankrupt in a very short time. And yet his resolutions represent in fact the constitution under which the government of all our large cities is carried on.

Public Administration

The astonishing thing is that in spite of this lunatic constitution our cities are fairly well governed. This is, I think, mainly due to two things:—

Firstly, because it is customary to appoint a body of officials who are competent, honest, and fairly well paid.

Secondly, because by tradition almost the whole of the work of the council is done by committees of an average size of perhaps twenty, each of which has a chairman and a chief official. The constitution of a committee, with its part-time chairman and whole-time paid official, is exactly the same as that of a board of directors, and is in fact what experience shows to be the best available constitution.

There is no doubt that on the whole our cities are fairly well governed. The standard of public spirit and honesty, both among councillors and officials, is good. Scandals are rare and unimportant. Almost the whole of the work of the councils is done through committees, and, generally speaking, the efficiency of the work of the individual committee is reasonably good. The public utilities (or trading committees) are, I think, on the whole efficient; I have heard many attempts to prove that the municipal trading committees are more efficient than those run by private enterprise and *vice versa*, but have never seen anything convincing on either side. On the whole I think it is fair to assume that the municipal committees are just about equally efficient with private enterprise.

It must, however, be pointed out that the decisions of the trading committees are so technical that the members of the council can rarely interfere; in other words, the official gets a free hand. The work of the trading committees is therefore a measure of the quality of the officials appointed, and its success is evidence that in these committees the officials are generally pretty efficient.

The remaining committees vary in efficiency from committee to committee and from town to town.

The great fault of committees, which seems to be widespread, is the tendency to do detailed administration themselves instead of leaving it to the official. On the whole the more technical the committee is the less the members interfere, and the better the work is done.

I know of one committee which employs several hundred men and several hundred horses. This is known as the "horsey" committee of the council, and the horse lovers endeavour to get elected to it. When elected their main interest is concentrated on horses, and they regard themselves as at least as competent to deal with any questions that arise as the officials. Oats and hay are bought by the committee, which passes round, examines and smells samples, and

Practical Working of City Government

decides which is best. Reports are submitted as to the health of those horses which are not fit; in one case a stone was passed round about the size of a football, which had been taken from one of the horses, and was shown to the committee in justification of the chairman personally taking responsibility for ordering the destruction of the horse! The great occasions in the life of the committee are very pleasant visits to farms in the search for new horses, which are ordered on the judgment of the members of the committee.

This is an extreme case of a committee misconceiving its duties in connection with administration; such attempts at administration by the members of the committee must necessarily in the great majority of cases lead to inefficiency in dealing with the points tackled by the committee; on the other hand, the committee will be so occupied with detail that it will have little opportunity of thinking of the bigger questions with which it ought to deal.

To sum up, then, committees vary from good to bad. The weakness of the whole thing is the lack of central co-ordination and control. Suitable machinery for financial control exists in the form of the finance committee and the city treasurer. But there is rarely adequate central control of policy. I know of cases where a committee has gone on for years in a very high state of inefficiency; no individual connected with the council has considered it his business to intervene, nor has any other committee taken any interest in it. The control by the monthly meetings of the city council is reasonably effective so far as finance is concerned, where they have the advice of the finance committee; so far as general policy is concerned, where there is no committee to advise, the control of the unguided mob of councillors is, so far as my experience goes, apt to do more harm than good; in other words, the committee which has studied the matter is much more likely to be right on policy than the members of the council as a whole.

One of the reasons why the council as a whole is not a good controlling body is the liking of many councillors for petty patronage. In a recent case in Manchester, the Public Health Committee reported that the system of visiting the hospitals was doing serious damage because unlimited permits were issued by the members of the Public Assistance Committee. The report was quite convincing to any impartial reader, and yet practically half the council voted for a continuation of this definitely bad system because of the desire of the members of the very large Public Assistance Committee to continue their personal privilege of dispensing tickets of admission.

In certain cities central guidance and control is given in various forms; a small general purposes committee, a powerful caucus of the dominating party, a political boss, a strong town clerk, but, generally

Public Administration

speaking, I have no doubt that by far the weakest point in British city government is the failure to concentrate responsibility, the lack of competent and well-defined leadership.

Suggested Reforms.

It is not difficult to see how such leadership can be given. If we take the analogy of an industrial company it is clear that what a municipality needs is a small effective board, a chairman, and a general manager; or, if this cannot be obtained on account of the strength of the democratic tradition, then such reforms as will go as far as possible in this direction.

The first thing therefore is to appoint a small general purposes committee of the best members of the council, with the duty of advising the council on the whole of its business.

The town clerk must, of course, be secretary of the general purposes committee, and the advice he gives to the council would be presented in the first case to this committee.

The chairman of this committee should be the strongest man in the council, and might be regarded as the leader of the council, the mayor devoting himself exclusively to ceremonial affairs. In this way the business head of the council could be appointed for three or five years, or some such reasonable period.

But by far the most important reform is the need for a strong town clerk, who must be recognised as head of the administration. His qualifications must be such as are required for administration and similar to those of the general manager of a large business; there is no reason whatever why he should be a lawyer, though this would be no disqualification. A town clerk should be appointed with, as a minimum, the following three duties:—

- (1) To see that all decisions of the council are promptly and effectively carried out;
- (2) Constantly to survey the work of the council and to report to the general purposes committee any steps which in his opinion can be taken to improve it;
- (3) To supervise the appointment and promotion of all officials.

On these lines there would be the necessary definition and concentration of responsibility, and so long as the members of the general purposes committee were competent and the town clerk was the right man, the government of the city should be good.

There is, however, one further reform that could advantageously be made to increase the efficiency of the committee system. The committees in most towns have only authority to advise the council, which receives each month several thousand recommendations, is

Practical Working of City Government

supposed to consider them all and confirm such as it approves of. On the principle that executive work is best done by a limited number of persons who are given full responsibility for their decisions, it would be much better to have small committees and to delegate to them the powers of the council; that is, to leave them actually to do the work. This is the system in Birmingham, and it is commonly stated that Birmingham is the best governed of the large cities of England. The committees, I understand, consist generally of about ten persons, who act just like a board of directors, submitting to the council their annual estimates, an annual report, and further reports when they contemplate any big departure in policy. I have no doubt that the general adoption of a system of delegation of this kind would substantially improve the work of the committees.

I have only one other suggestion. Pursuing still further the principle of concentrating responsibility on a limited number of persons, I believe that a city council not exceeding fifty persons would work better than a council of one hundred or one hundred and fifty, such as many of our large municipalities have to-day.

To sum up my conclusions in provocative form, I suggest that a Bill should be introduced in the House of Commons, to be called perhaps the Local Government (Leadership) Bill, with three clauses:—

- (1) That the number of members of a city council should not exceed fifty.
- (2) That they should delegate their work to committees, putting the full responsibility for carrying out the work on the committee as suggested above.
- (3) That the town clerk should be appointed as head of the administrative staff, with the three duties above outlined.

These alterations are simple and in accordance with the democratic tradition of local government. I believe they would make an immense difference to the efficiency of the government in many of our large cities.

The Indian Factory Worker

By Miss B. M. LE POER POWER

[*Read before the Institute of Public Administration, London,
19th November, 1931*]

IN the time at my disposal it is clearly impossible for me to deal with the whole of the work covered by the Royal Commission on Labour in India, which sailed for that country at the end of September, 1929, and signed its Report in Delhi in March, 1931. This will not surprise you if first of all I read you the terms of reference and then briefly indicate the ground covered by the Commission. The terms of reference were as follows:—

“To inquire into and report on the existing conditions of labour in industrial undertakings and plantations in British India, on the health, efficiency and standard of life of the workers, and on the relations between employers and employed, and to make recommendations.”

The Commission consisted of twelve persons (eleven men and one woman), of whom six were British and six Indian. These twelve persons included representatives of employers and employed, as well as Government officials with specialised knowledge and others widely versed in Indian conditions. The Commission visited every province of British India, except two which are not industrialised, covered 16,000 miles, exclusive of journeys to and from India, held 200 public and private sessions, heard the oral evidence in more than 12 languages of 837 persons, and received memoranda from 490 separate sources. Quite apart from its Report, which was published last July, and contains over 300 recommendations, it is believed that the eighteen accompanying volumes of evidence constitute the most voluminous mass of up-to-date material which at present exists in respect of labour conditions in any Eastern country. For many years to come this should prove an invaluable source of information to students of international labour questions, in a form both concise and accessible.

This Commission was unique among the industrial commissions and committees which have been set up in India in the last three-quarters of a century, not only in the comprehensiveness of its terms of reference, which covered all kinds of industrial and plantation labour, other than those occupied in what are known as home or

The Indian Factory Worker

cottage industries, but also in the fact that *for the first time* the workers themselves were interviewed, whether on the plantation, at the factory, down the mine, on shipboard, or in the home. Aryan and aboriginal, high caste and low caste, educated and uneducated, skilled and unskilled alike contributed their share, and thereby not only added greatly to the completeness of the evidence and the effectiveness of the picture presented, but also, it is hoped and believed, to the greater understanding of the Commissioners, and therefore to the ultimate value of their recommendations.

To those who wish for a companion volume to that marvellous document known as Part I of the Report of the Simon Commission, in order to supplement their knowledge of one of the most interesting, as well as one of the most complex, social, political, and economic problems now facing the British Empire, I would recommend the Report of the Royal Commission on Labour in India. The fact that in less than three months after its publication it has already gone into a second edition in this country is a stimulating indication of the very real interest that is being taken on all matters affecting this great sub-Continent by the ordinary British citizen. Indeed, that much-tried individual has already begun to realise that in the last quarter of a century the world has shrunk so immeasurably, and with it the Empire, that things which his fathers comfortably left to the diplomat and statesman have become the concern, and indeed the very pre-occupation, of numbers of ordinary people like himself.

It is well realised that India is primarily an agricultural country, according to the 1921 census no less than 73 per cent. of her people depending directly upon the land as a means of livelihood. It is not surprising, therefore, that it is sometimes overlooked that she is also *one of the eight leading industrial countries of the world*, with a permanent seat on the Governing Body of the International Labour Office. In British India alone approximately one and a half million workers were employed in 1929 in her factories, both perennial and seasonal, half a million in her mines, three-quarters of a million in her railways, and something under a quarter of million in her docks, transport services and public works. To these should be added approximately one million at work on her plantations; that is to say, in the cultivation of tea, coffee, rubber, and certain minor crops. These may properly be classed with the industrial rather than with the agricultural workers, since, as the Commission pointed out, "the plantation represents the development of the agricultural resources of tropical countries in accordance with the methods of Western industrialism; in other words, it is large-scale enterprise in agriculture."

Public Administration

To-day I am going to concern myself with only certain aspects of the problem of Indian labour, choosing those which I think should be of special interest as giving the clearest insight into some of the biggest and gravest of the human issues which to-day confront Indian industry. Time must necessarily involve my concentrating on the largest class of industrial labour, namely, factory workers, omitting from consideration great bodies of workers, such, for instance, as miners, railwaymen, and others employed on public transport, and plantation workers, as well as certain specific, but none the less important, problems such as trade unionism and industrial disputes. Apart from its inclusion in any statistics quoted, I must also omit Burma, which presents certain peculiar, but none the less interesting, problems of its own in the field of industrial development and labour control.

Let us take first perennial factory workers, by which is meant those workers numbering between a million and a million and a quarter, employed in about 2,400 factories, which are open all the year round and which are regulated by the Indian Factories Act. These may roughly be divided between textile workers, mainly employed in cotton and jute spinning and weaving, who number nearly 700,000, the engineering and metal workers, numbering another 315,000, and miscellaneous non-textile workers who number the remaining 155,000. The cotton workers predominate in the Bombay Presidency, where no less than 203 out of the 295 cotton mills of British India are situated, and the industry is largely in Indian hands. The jute workers number about the same as the cotton workers, but are practically confined to a single locality, namely, a small strip of country about 60 miles long and 2 miles broad along both banks of the Hoogly, above and below Calcutta. In this industry, unlike the cotton industry, the direction as well as the management is almost entirely in European hands, and the individual jute mill is on an average three times as large as a Bombay cotton mill. The largest of the engineering and metal group are the 145 railway workshops, employing 136,000 people, and that marvellous example of human enterprise, the Tata Iron and Steel Company's works at Jamshedpur, 200 miles west of Calcutta, a single business recently employing 28,000 persons in a city cut out of the untouched jungle as lately as 1907, and now housing 100,000 persons.

Now, a mill or an engineering workshop, as such, is much the same all the world over, though it may differ in size or in efficiency. But when you turn to the human element you are at once struck by the great difference between this country and India in all the most essential factors. Take, in the first place, the *source* of labour. In this country we are accustomed to draw our labour from the

The Indian Factory Worker

immediate locality, from people living in the shadow of the factory chimneys and within sight and sound of the whirring machinery. In India it is for the most part far otherwise, those born and bred in the city streets being the exception rather than the rule. The vast majority of factory workers are country people, reared in the village either as agriculturalists or as craftsmen. The reasons for which they migrate to the city are many and varied. It may be that pressure on the land is particularly intense in their part of the country, as is the case in the areas around Ahmedabad and Cawnpore, forcing many to migrate in order to live. Again, their particular family holding, if prosperous, may yet be unable to support the growing family, built up on the basis of the Hindu joint-family system, thus forcing individual members of the younger generation to seek their future elsewhere, or, as some do, to change and change about with a relative between industrial and agricultural occupations. Others through misfortune may have lost their land altogether, may be escaping an importunate creditor, or fleeing from the ostracism of a community whose moral code they have outraged. These and many other reasons force the villager to the city. But it is almost invariably like Shakespeare's school-boy, "with reluctant tread," that he goes. The city lights, the city streets and pleasures have no lure for him. His heart remains in the village, and as he sets out his thoughts are turned inward to what he is leaving behind, rather than outward to what lies before him. Many of these reluctant adventurers may be able to find work in a manufacturing town within their own province, as in the case of the textile manufacturing city of Ahmedabad, which draws 65 per cent. of its labour from the surrounding area. Yet others may have to go many days' journey from their own homes before they find employment, with the result, for instance, that men of Madras Presidency and the United Provinces are to be found in factories over the length and breadth of India. The percentage of workers in an industrial city who have no link with any village, being indeed town-bred, in the sense in which are our own factory workers, is in India only a small fraction of the total labour force. In Ahmedabad it is calculated at 20 per cent., and it is probably higher there than in any other industrial city of India.

You will now probably ask whether the villager, having found his way to the city, stays there for the duration of his working life, and here it is necessary, not only to answer a question, but to correct a very general misconception. In view of the large turnover in the factories and the known migratory character of the labour force in the past, it has been too readily assumed that Indian factories are manned by agriculturalists temporarily deserting the field for the

Public Administration

factory. This is no longer the case. The bulk of them stay in industry for the greater part of their working lives, though not in the same factory and not always in the same town. To a greater or lesser degree, however, they retain their intimate contact with their village, and as from the village they came, so to the village they return to live out their old age and ultimately to die among their own people. Many leave their wives and children permanently in the village, from time to time sending home money for their support. The vast majority return there periodically for holidays and in temporary sickness or ill health, whenever funds make it possible. The more prosperous the worker—and in this connection prosperity is a relative term—the more frequent his return to the village. Should he be among the happy few for whom work becomes available once again in his own village, he will return thither unfalteringly, leaving the so-called attractions of the city without regret.

Let us now look at the conditions under which the factory worker lives and works in the city that is so different from his own village, and try to picture to ourselves the action of all these changes upon his mind. In the first place, he is wholly illiterate, though by no means wholly uneducated. He has the traditional education of his race, caste and creed, and in the village he is a unit in an organic whole. He comes to the city where he finds men from all over India, speaking many tongues, with many differences of race, creed and culture. He finds caste of far less importance where occupation has ceased to be hereditary. He finds no customary rules of conduct to guide him, and is, indeed, forced to become an individualist—a state utterly alien to his whole tradition and upbringing. At the same time, he requires to become acclimatised to a new temperature, new dietary, new sanitary habits, new types of housing. Above all, though almost invariably a married man, he finds himself, in the majority of cases, living singly, without the ties of home life and yet with all the added temptations of city life. Here is a radical adjustment that would try any man's soul, yet how much more so where to all that is added the equally difficult adjustment necessitated by fresh work and regular hours. As an agriculturalist or village craftsman, his skill was born in him. He never remembers to have learnt his trade, acquiring it unconsciously from his youth upwards. In the city, the machine, intricate and strange, claims him, and too often seems to him a soulless monster. In the village he halted when he pleased, working in the cool of the morning and afternoon, resting in the midday heat. In the city the factory whistle determines his hours, and, although he does not work with the regularity and concentration of the worker in the West, climate, physique and other factors militating against this, he yet works with a regularity and

The Indian Factory Worker

concentration that makes his old village life seem a paradise of leisure and comfort in comparison.

All these factors help not a little to create the large turnover characteristic of the bulk of Indian industries. In addition, it must be remembered that the factories are large, generally employing hundreds and, in the case of the jute industry, often thousands of workers, and that the labourers contact with the manager, or persons of even lesser authority, is practically non-existent. Between the humble "hand" and the directing authorities, too often of an alien race, and almost invariably speaking an alien tongue, stands the "jobber"—the most powerful and most menacing factor in his new life. This man may combine a series of functions. He may be charge-man, assistant mechanic and technical instructor, but above all he is the man who "hires and fires." Only through him can a job be obtained; only through him can work be retained or promotion secured, and all these things can only be his at a price. The jobber, with open palm, stands ever between the worker and his goal, and often, through his ill-gotten wealth, may of necessity become his landlord and his money-lender as well. Nor can you blame the jobber entirely. He, like the worker under him from whose ranks he came, is illiterate. To climb beyond the second rung of the industrial ladder is impossible for him. His ambitions, which in Europe would carry him in many cases to minor supervisory posts of responsibility, and in a few cases to the very top of the ladder, are driven in on him, and he makes his additional profit and exercises his thwarted ambitions on the only people within his reach.

For this situation, one of the most fundamental difficulties in Indian industry to-day, there is no one solution but several. Some can be begun here and now with goodwill and determination on the part of managements, others will take time and money and lie rather with the community as a whole than with industry itself. The power of the jobber must be broken. He must return to his legitimate position as a foreman. The powers of engagement and dismissal of labour can only be regularised and controlled if relegated to those who in no way benefit financially by exercising them. In other words, bribery cannot be eliminated except with the appointment in the larger factories of labour officers, subordinate to none except the general manager, and entrusted with absolute responsibility for the appointment, dismissal and control of working staffs. In the case of the smaller factories, those functions must be taken over by the manager himself or by a responsible subordinate.

In the second place, turnover must be regularised. At present, where a large turnover of labour is in the financial interests of the

Public Administration

jobber, the worker can have no security of tenure. As a result, it is not uncommon to find that in a period of two years fresh engagements may exceed a factory's total labour force. If the worker were not only conceded that security and granted definite periods of leave after approved periods of service, the contact with the village, which is so necessary for him, could be retained and regularised without the added strain on his resources of a new bribe or upon his health of the uncertainty of re-engagement. Moreover, if a small allowance were given to a worker on recognised leave after such approved service, as in the case of most Government factories in India, discipline would be improved and efficiency increased, and a comparatively small outlay would repay the employer many times over.

Finally, and here we touch on bigger and more far-reaching issues, education alone can hope to make the workers less helpless before adversity, less prone to become the tools of others. Moreover, that same education will enable those intelligent enough, under the present system, to become jobbers, to realise their thwarted ambitions, rise to posts of more responsibility and thus to look for the fulfilment of their greater earning capacity, not to the illegal contributions forced from the helpless worker, but to the increased remuneration that goes with increased skill and responsibility. It is not within our compass to-day to enter into all the different possibilities of educating the industrial worker. Besides having its specialised aspect in the matter of apprenticeship and technical training, the subject is also part of the much bigger question of the general education of the Indian masses. Suffice it to bear in mind that India is alone among the countries of industrial importance in possessing a working proletariat that is wholly illiterate, and that, in these days of mass organisation and international propaganda, this is not without its very real dangers, as the all too recent industrial turmoil of Bombay has shown.

If you now turn to the question of the actual physical conditions under which the factory-worker is employed, all that it is possible to say here is that factories in India, as elsewhere, vary enormously. There are some which compare favourably with the best that are to be found anywhere in Europe, that are, indeed, models of their kind. There are others which leave much to be desired, both in their structural efficiency and in their general amenities. Certain problems, such as the elimination of dust and dirt in dust-producing processes, and the regularisation of artificial humidification in the cotton mills, still only partially solved, are common also to Western countries, though they may be intensified in India by climatic differences—particularly in the matter of the control of temperature. Others, such as sanitation, present rather special problems owing to

The Indian Factory Worker

different social customs and urban conditions. The villager is brought up to the use of the jungle and has to learn modern sanitary habits. Yet not only does he learn to use modern conveniences, often seen by him for the first time when he comes to the city, but he even grows to appreciate them where they are kept in a fit and clean condition. Unfortunately this is not always the case, partly because of their abuse by the unaccustomed newcomer to industry, partly because of the carelessness and indifference of some managers, and partly because of the temporary breakdown which sometimes occurs in the best managed factories, due to overpressure arising from the lack of sufficient amenities of this kind in the surrounding areas. Only too often the large factory is catering in this respect, not for its own workers only, but for the community in whose area it is set down.

In the matter of safety, it has to be admitted that since 1922 the proportion of accidents to operatives has risen very considerably. But it must not be supposed that this argues an increasing neglect from either managements or factory inspectors. On the contrary, the rise represents largely an improvement in the reporting of minor accidents—fatal accidents fortunately remaining fairly stationary. The increase is due largely to greater attention to this important factor by the inspectorates, and the inauguration of the Workmen's Compensation Act in 1924 making the reporting of minor accidents more worth the worker's while. There is every indication, however, that there has been an increase in the risks run by operatives of recent years, and that the growing complexity of machinery and processes has been greater than the advance in the mentality of the worker. The Commission rightly stressed the fact that too often the operative has an imperfect realisation of the risks he runs, and that this can only be remedied by education, improved health, greater discipline and the building up of a regular factory population. Suffice it to say that this is one of the problems of Indian industry foremost in the minds of factory inspectors in every province, and that, no matter what the pressure put upon them, these over-worked officers always see that this is the side of their work that shall suffer least.

Industrial welfare is a comparatively modern term embracing a wide range of subjects, and must of necessity be variously interpreted according to the countries, the industries and the classes of workers under consideration. In India the welfare activities undertaken by a single firm may cover all the amenities associated with model villages, elementary, half-time and technical education, hospitals, clinics, crèches, playing fields, co-operative trading ventures, loan clubs and works committees, to nothing more than the provision of

Public Administration

a few bathing places or a treeless compound. India has its Cadburys, European, Parsee and Indian. It also has its share of those employers of all three nationalities who excuse their lack of vision and foresight on the grounds of the traditional conservatism and caste exclusiveness of their workers. The opportunities for increased welfare are immense, and the need no less. Although the present industrial depression may put a temporary brake upon large scale enterprise in this direction, it is believed that, where the trail has been so brilliantly blazed by the few, the many will ultimately follow. Yet in some directions it is undoubted that the pressure of statutory compulsion, if gently and tactfully applied, would be a move in the right direction. A case in point is the supply of crèches for the infants of workers in those industries employing an appreciable number of women. In Indian industry almost all women are of child-bearing age, and only too often, particularly in the jute industry, those children are to be found, at play or asleep, in the noise and clatter of the workshop, breathing a dust-laden atmosphere, and endangered by moving machinery. No year passes without injury and even death occurring in the case of a number of such infants. The Commission, whilst advocating the compulsory inauguration of crèches in all factories employing 250 or more women, desired to see this and similar amenities initiated through the machinery of Welfare Orders. It was desired that these should be passed by Local Governments under a new section of the Factories Act, after full research and consultation between the provincial inspectorates and the industries concerned, thus securing a large measure of agreement in advance. By this means it was hoped that progress would be made in India similar to that achieved in this country by means of the Orders made through the Home Office under the Police, Factories and Miscellaneous Provisions Act of 1916, and initiated and enforced so tactfully, and therefore so successfully, by the factory inspectorate of that department.

Last of all comes the question of hours. The maximum weekly hours for men and women in Indian industries coming under the Factories Act is 60, based on a special provision relating to India in the International Labour Convention adopted in Washington in 1919, and ratified by India in 1921. A maximum daily limit has been operative for women since 1891 and for men since 1922. It now stands at 11 hours a day. The cotton textile mills ordinarily work a week of 6 days of 10 hours. The jute mills, when not on short time, normally work a 54-hour week, the daily hours of the operatives varying according to whether they are employed in a single or a multiple-shift mill. In the latter the range is one of 8 to 11 hours according to the process, with a maximum of 44 hours when short

The Indian Factory Worker

time is being worked, as at present. Engineering and metal workers have a normal week of 50 hours, and in railway workshops the common day is one of 8 hours. In the bulk of the minor industries a 10-hour day and a 60-hour week are frequent.

On this question the Commission registered three separate views; that of Sir Victor Sassoon, who was in favour of the retention of the present position; the majority view which was in favour of a reduction of the statutory week from 60 to 54 hours; and the minority view which was in favour of an immediate reduction to 48 hours. For the arguments for and against reduction, for the differences governing the cotton and jute industries, and for the special position of industries involving continuous processes, I must refer you to the Report itself. All I would say here is that the majority of the Commission based its main arguments for a reduction on the grounds of *the human needs of labour*. They declared "Hours of labour away from the factory are virtually unknown. A reasonable amount of spare time away from the factory is indispensable for the building up of citizenship, for the development of life as opposed to mere existence, and for the maintenance of physical efficiency. It is worth remembering, moreover, that most of those who are at present compelled to remain in or near the factory for 11 hours a day were brought up in the freedom of the open fields." I share the belief of the majority of my colleagues that the loitering in the compound and the periods of unauthorised absence so characteristic of Indian industry are the worker's form of self-defence against a strain greater than his physique can stand, in view of his unaccustomedness to concentrated and mechanical labour and the naturally trying climatic conditions. The majority recommendation that there should be an immediate reduction to 54 hours was based on the belief that industry need not suffer thereby since, after a period of readjustment, the lost time would be made up by closer attention to work and stricter supervision, and in consequence by an increased output per operative. It further pointed out that "these valuable hours of leisure, added to the few amenities available to the Indian industrial worker, need not be bought at the expense of Indian industry, since a reduction in the hours of the operatives need not mean any reduction in the hours worked by the industry."

Hitherto we have been dealing with workers in perennial factories coming under the Factories Act. Let us now look at two other classes of factory workers, those employed in seasonal factories open for part of the year only, mostly for the handling of a particular crop and subject to the Factories Act, and those employed in what are called unregulated factories, that is, those not so subject, which

Public Administration

either employ no machinery or, though using machinery, employ less than twenty persons at any one time.

Owing to the wide variations in climate in India, a crop which is seasonal in one place may be perennial in another. For instance, tea factories on Assam plantations are open for six months of the year only, whereas in the Dooars and the Nilgiris in the south they are open the year round. Bearing this in mind, the seasonal factories may be divided between those which are predominatingly seasonal, such as cotton ginneries and jute presses, and those which are only partially seasonal, such as rice and oil mills. Both types of seasonal factory employ approximately one-third of a million workers for varying periods and seasons throughout the year. The general characteristics of these factories is that they are situated mainly in the rural areas, are generally small in size, and employ workers who are essentially agriculturalists drawn largely from the surrounding villages, of whom a higher proportion are women and children than in the case of the perennial factories. The workers are completely unorganised, and wages naturally tend to be low. The number of these places is over double that of the perennial factories, namely, 5,678 in 1929 as compared with 2,451 of the latter. Of these, cotton ginneries number nearly half, for it must be realised that cotton is grown throughout the length and breadth of the country, and is, therefore, being ginned somewhere in India the year round. The difficulties to which these factories give rise are primarily those affecting the health of the workers and the degree of effectiveness of public administration, and you will shortly see that the two, as usual, are closely related.

Dust prevention forms one of the main difficulties in cotton ginning, rice milling and tea manufacture, and in all these cases the problem is essentially a difficult one. In the case of cotton ginning, unfortunately no machinery has been invented sufficiently cheap to allow of ready installation in those hundreds of small places owned by men of often very limited means. Experiments are continually being made, but so far, although improvements are gradually being effected by insisting on better methods of construction of new ginneries under the Cotton Ginning and Pressing Factories Act of 1925, inspectors have hesitated to use their powers under the Factories Act in connection with the installation of dust extracting machinery, lest they drive the industry into Indian States where no such regulations are in force. The same difficulty applies to a large extent in the hundreds of small rice mills in India and Burma, but not in the tea factories. The latter are normally large and up-to-date places, owned mostly by companies rather than by individuals. Here efficient, though by no means cheap, dust extracting machinery

The Indian Factory Worker

exists and is being increasingly installed, and the Commission recommended that owners be required to install such machinery in all factories within a specified period, and that henceforward no new ones should be built without the inclusion of such machinery.

The safety of buildings and the adequate guarding of machinery in seasonal factories present further difficulty. Buildings that are only in use for a part of the year, and that are set up in isolated rural areas, are apt to be erected carelessly and to be faulty in structure. Moreover, the system of pooling cotton ginneries to regulate the distribution of work and profits, which arose owing to the fact that excessive numbers were built during a trade boom, has resulted in many being used in rotation. In consequence, they are often brought into sudden use after long periods of absence, without effective overhauling of the structure or attention to broken or mislaid guards to belts and pulleys, which are particularly numerous in ginneries and, moreover, particularly dangerous because of their low position. The absence of any effective control over building plans presents a real difficulty in the case of all types of factories in India, but particularly in the case of seasonal factories. At one time consideration was given to prohibiting the use of buildings as factories before the plans had been passed by a responsible authority, but the Central Government thought this a matter for the Provincial Governments rather than for itself, and so far none have adopted any legislation on these lines. As far as safety was concerned, the Commission recommended the submission of a proper certificate of stability before working was commenced in large factories, and the grant to Local Governments of power to demand such certificates in smaller factories as need arose. A similar procedure was suggested in the case of important structural alterations, whilst it was advocated that inspectors should be empowered to secure the carrying out of structural tests where at present they only have power, in cases of danger, to require managers to carry out the improvements necessary to remove the danger. You will realise that this is not a clause easily operated, since it is not ordinarily possible for an inspector, who is not a structural expert and cannot carry out structural tests, to detect sources of danger.

Cotton ginning machinery, like tea manufacturing machinery, varies little from factory to factory, and it was thought that much might be done if the Factory Inspection Departments issued simple pamphlets, as did the Bengal Department in the case of Assam tea factories, setting out for the benefit of employers by means of photographs, diagrams and simple descriptive passages, inexpensive but effective machine guards and rules in respect of the dangers of loose clothing.

Public Administration

Hours in seasonal factories give rise to special complications, and there has undoubtedly in the past been a tendency gravely to over-work the seasonal factory worker during the height of the season—a tendency accentuated in the case of cotton ginneries by the method of pooling factories, which often results in over driving one factory where others stand idle. Moreover, certain exemptions from sections of the Factories Act obtainable under the law have been either too liberally applied in the past, or have in some cases been stretched to apply in circumstances for which they were not intended. In addition, it must be remembered that the seasonal worker is a simple agriculturalist. The money he earns in the seasonal factory during a brief spell goes to supplement the meagre family income drawn from the land. The more money earned by such means, the bigger the family food supply throughout the coming year. What are regulations to him, whose only clock is the sun, and what is the law to him, except something which interferes with a rare chance of putting himself above the possibility of actual need or of decreasing the number of his wants? In consequence, he is easily persuaded to hide himself out of sight, or to lie glibly about his hours of work or his child's age, on the rare occasions when the inspector is known to be in the offing. It must be realised that a surprise visit, the essence of effective inspection, is impossible in these areas. Be the inspector English or Indian, he is a marked man long before he reaches the factory, and eager feet have sped before him and eager mouths already whispered the warning cry, "The inspector is coming." Picture his difficulties and then you will not envy him his task, the long and often fruitless journeys off the beaten track, sometimes only to find the factory deliberately shut down before his approach, the workers scattered, and the records required by law either unkept or so imperfect, owing to the general illiteracy and a floating labour force, as to be valueless. He is thus often helpless, even though he realises well enough that the workers will reassemble and the machinery restart when the dust raised by his car has once more settled on the horizon.

Even the children found at work present a special difficulty. The inspector may find those clearly under 15 years working for adult hours, or children clearly under 12 years who should not be at work at all. He is not authorised to expel a child except on grounds of physical unfitness, and he may not expel an adult, that is, one of 15 years or more, in any circumstances. The age of a child of country people in India is often unknown, even to its parents, being dated, if at all, only by a special event marking that particular year off from another. There may be no local doctor at hand to determine age, and, where there is, it is not unknown for such people to give

The Indian Factory Worker

a false certificate for a small consideration. To aid the harassed inspector, the Commission recommended his being given power to exclude a child apparently physically unfitted or under age, until fitness or age could be determined by a medical man, and to preclude from employment altogether children found to fall short of the prescribed physical standard or age on the basis of a schedule drawn up by the Local Government indicating the necessary height and general development of children of both sexes of 12 and 15 years respectively. Finally, it was recommended that the existing power to grant exemptions should be somewhat drastically curtailed, but that, to meet the special needs of seasonal factories, the existing hours of 11 per day and 60 per week should be retained for such factories on the grounds that the workers were not at work the year round, as in the case of perennial factories, and that as a general rule the labour itself was less exacting. In future, however, a weekly day of rest should be secured to all, since in such factories shortage of labour was not involved and sudden rushes of work, due to the uneven arrival of the crop, could easily be met by taking on more labour, and not, as at present, by overworking those already at work.

It is not unnatural that hitherto an overworked and under-staffed inspectorate should have concentrated on perennial, somewhat at the expense of seasonal, factories. Yet the latter require special attention, not only for the reasons given, but also because in India many of these factories are leased out season by season to fresh employers, making the process of educating and re-educating the responsible occupier a continuous and uphill task. Two visits a year are the minimum necessary to exercise efficient control. One a year is the most that is normally possible, and not always that. The Commission advocated the greater use for this purpose of the part-time inspector, what is known in India as the "ex-officio" inspector, whose main occupation is in some other form of Government service in the locality, but who is specially appointed under the Factories Act to act as a factory inspector within his own area. Whereas in the past such persons have been of very little use in the case of perennial factories, owing to their lack of technical knowledge and adequate training, it was felt that Deputy Collectors and sub-divisional Magistrates resident in the district could visit seasonal factories more frequently and with less expenditure of time than the factory inspector from the provincial headquarters, and above all could maintain the element of surprise. Since they would for the most part be concerned with one or two industries only, and these generally non-technical in nature, a short course of intensive instruction would cover their requirements, and the periodical visit of the factory inspector, in

Public Administration

addition to helpful correspondence arising on reports submitted to the chief inspector, would preserve the necessary link between the two bodies of officers. Moreover, such a system would relieve the full-time inspector for the more diversified and more highly specialised work in connection with perennial factories.

In the case of the unregulated factories, the main difficulty is one of child labour. The factories may vary in size from small ones with machinery, employing less than 20 persons, to large ones without machinery, employing as many as 800 workers. The main difficulties of the former are largely those of the seasonal factory, namely, defective buildings, sanitation, machine guarding, and the working of young children, in whose case, however, unlike those in the seasonal factory coming under the Factories Act, no legal age is operative. The outstanding characteristic of the latter is the excessive use of unduly young child labour. For a picture of the conditions of these children in the mica factories of Bihar and Orissa, the wool cleaning yards of the Punjab, the shellac factories of Bihar, Orissa and the Central Provinces, the carpet factories of Amritsar, the tanneries of Bombay, Bengal and Madras, and the "beedi," (that is to say, the indigenous cigarette) factories throughout the length and breadth of India, I can only refer you to the report of the Commission. Here it is sufficient for me to ask you to think back into English industrial history, from the dawn of the last century right on into the first decade of this, and to realise that it is not for us to point the finger of scorn at India, in whose industrial development we have had so large a part, but rather to lament the inability of humanity, be it Western or Eastern, to learn by experience—in fact, to take what America so vividly describes as "a tuck in history." That well-known poem of Elizabeth Barrett Browning, "The Cry of the Children," could have been written of the babies, and they are often little more, in some of the unregulated Indian industries of to-day. Nor do we adults, British and Indian alike, clear our conscience by seeking to cast the blame exclusively upon employer and parent. Too often, though not always, the former is no better off or more educated than the latter, who are wholly illiterate, excessively poor, and only too often heavily indebted. Do you wonder that to such people the child's right to its childhood, and even to such poor scraps of education as may be available, should not weigh in the balance against its earning capacity, however small? But in one particular we must indeed ascribe blame to both, and that is in the existence of the system of mortgaging the labour of the child—that is to say, the borrowing of money by the parent from the employer in exchange for the contracted labour of that child until such date as the debt shall be paid off. Here the Commission rightly points out that "such a

The Indian Factory Worker

system is indefensible. It is worse than the system of indentured labour " (which in India means labour employed under a penal contract), " for the indentured labourer is, when he enters into the contract, a free agent, while the child is not."

In this difficult problem of child labour the Commission realised that a step at a time, or what was described as " the policy of gradualness " was the right course, since it desired to avoid the creation of ideal rules of conduct which should devolve into mere paper legislation. Laws which are unenforceable, on account of being either too far ahead of public opinion or too all-embracing to be immediately practicable, are valueless. The majority of the members accordingly advocated as a first step, which it was suggested should be confined to five years only, that the starting age of employment for children should be 10 years, and that the hours of those between 10 and 14 years should be confined to seven daily, to fall between a specified period of 9 hours in the day, with a mid-day rest of at least one hour. Home work or overtime for such children should be illegal and weekly holiday compulsory. Finally, a bond pledging the labour of any person under the age of 15 years, executed for or on account of the receipt of any consideration, should henceforward be void. Other recommendations were made laying down minimum standards of health and safety, and it was suggested that, in the first instance, these regulations should cover factories employing not less than 50 persons, with power for the Local Government to extend them, if necessary, in the case of smaller factories, where conditions warranted such action, or forthwith in the case of specific industries of a specially noxious kind. Among the latter may be instanced tanneries, where the workers, being largely " untouchables " from the Madras Presidency and elsewhere, form, on account of social custom, a class of worker peculiarly unable to help itself.

Let us now turn to the discussion of certain outstanding disabilities from which the vast majority of the industrial workers suffer. By this I must not be held to suggest that these disabilities are necessarily peculiar to the industrial worker—merely that they influence so largely his mental and physical condition and his social and economic position in society that no picture of his circumstances is complete without them. I divide these into two groups—those connected with health and housing and those concerning his indebtedness and general standard of living.

Now the Commission was well aware that it was engaged upon its investigations and would be making its recommendations during a period of abnormal political and economic stress. In its opening chapter, however, it rightly declared, " India has the right to expect from us, not a series of recommendations framed in the light of the

Public Administration

existing crisis, but a considered programme for the development of labour policy." Nowhere was it more necessary to bear this in mind than when dealing with the health and housing of the industrial worker. Here the "long view" was essential, since piecemeal treatment would be liable to result only in the frittering away of valuable financial resources. It was further pointed out that the recommendations of the Commission in this field were not intended for immediate or simultaneous treatment, but were rather a programme to ensure gradual and progressive advance.

In India there are factors which tell both for and against a good standard of physique in the Indian worker. The fact that he is generally born and bred in the village, that he returns thither more or less frequently for longer or shorter periods, favours the appearance in many of a moderately good physique. Against this must be laid the fact that, being poor and often indebted, a low standard of living is inevitable. The scarcity or excessive cost of certain articles of diet to which he is accustomed in his own village, such as milk, ghi (that is to say, clarified butter) and fresh vegetables, and the fact that too often these, where procurable, are stale and adulterated add to his disabilities. That series of difficult adjustments to which a reference has already been made, new climate, hours of work, of leisure, and of feeding, all add to the strain of living. Nor must be forgotten the loneliness and temptations of the family man bereft of wife and child in a city such as Calcutta or Bombay, where to every one thousand men there are only about 500 women, the proportion being even worse than this in the purely industrial wards. This inequality is responsible for grave social and health problems, increasing the number of prostitutes and the spread of venereal disease from town to village, with the return of the migratory worker to his home. Again there is the danger of water-borne disease where there is no piped water supply, or where the number of taps is inadequate for the workers' needs—an only too common occurrence in the industrial areas. Or there is the equally grave danger of those other forms of infection from contaminated food bought in insanitary markets, and of earth-borne disease, such as hook-worm, from the very general inadequacy of sanitary conveniences in all the big industrial centres. Of all diseases malaria is the most prevalent, sapping the worker's strength and thereby not only gradually impairing his physique, but rendering him lethargic and helpless, a prey to the forces leagued against him.

It must further be realised that the existing medical facilities, even if the worker can be persuaded to use them, are everywhere inadequate, apart from the question of educating him in the value

The Indian Factory Worker

of Western medicine, an education slowly but surely penetrating town and village alike. In India hospitals, dispensaries and clinics are mainly owned and maintained by the State, or occasionally by the Municipality, others being for the most part small places run by religious or charitable organisations. But everywhere the rapid growth of industry has far outstripped the medical resources of the community. As a result there are to be found three different sets of circumstances. When industry has grown up gradually in a city already in existence, the workers are only a fraction of the total population, and share in the inadequate medical facilities already in existence. Where industry has developed in any one place to such an extent that the workers form the bulk of the population, only too often, as in Ahmedabad, the local hospitals cannot and do not attempt to cope with the needs of the growing population. Where industry has pioneered into new areas, remote from existing facilities, such as at Jamshedpur, the Sheffield of India, or at Namtu, the mining city in the Northern Shan States of Upper Burmah, the workers are of necessity wholly dependent upon the enterprise to provide them with hospital treatment and medical facilities generally. In the first two instances, state or municipal facilities falling far short of requirements, many employers have taken upon themselves responsibility for the medical welfare, not only of their immediate employees, but also of their families and of those in the vicinity of their works. They cannot, nor should they be asked, to bridge the existing gulf unaided. Yet no praise can be too high for the magnificent work of this kind which is being done by certain of the cotton firms of Bombay, the jute firms of Bengal, and others in a number of the big industrial cities of India. Where industry penetrates into the jungle, the responsibility for medical relief must necessarily lie wholly with the employer, at least until that period when a diversified community, dependent on the main industry, springs up, and municipal government takes the place of company management. Nor have such firms been behindhand in realising this, and indeed, besides supplying hospitals and clinics for the workers and their dependents, some have undertaken a share in research in connection with industrial diseases and in large scale preventive action in the case of nationwide infections such as malaria.

When we turn to the housing of the industrial worker, we face a problem not only gigantic in its proportions but staggering in its implications. In the field of industrial development in India, there is no blacker spot than that of the housing of the worker. Go where you will, the same picture of misery and squalor presents itself, whether it be in the "chawls" of Bombay and Ahmedabad, the "cherries" of Madras and Madurai, the "hartas" of Cawnpore or

Public Administration

the "bustis" of Calcutta. A Bombay Labour Office report of 1922 showed that 97 per cent. of the working classes were living in one-roomed tenements with six to nine persons in a room, and the position is no better to-day. In Karachi, one-third of the whole population is living with six to nine persons in a room, and from our own observation this story would be repeated in city after city, were a house-to-house investigation to be made. One quotation from the report of the Commission is descriptive enough of the majority of these places throughout the country: "In the busiest centres the houses are built close together, eave touching eave, and frequently back-to-back, in order to make use of all the available space. Indeed, space is so valuable that, in place of streets and roads, narrow winding lanes provide the only approach to the houses. Neglect of sanitation is often evidenced by heaps of rotting garbage and pools of sewage, whilst the absence of sanitary conveniences increases the general pollution of air and soil. Houses, many without plinths, windows, and adequate ventilation, usually consist of a single small room, the only opening being a doorway, often too low to enter without stooping. In order to secure some privacy, old kerosene tins and gunny bags are used to form screens, which further restrict the entrance of light and air. In dwellings such as these, human beings are born, sleep and eat, live and die."

One of the bright spots in a landscape of otherwise unrelieved gloom are the housing schemes of advanced employers, and one or two municipal experiments of a limited kind. The former, which seldom cover more than about 30 per cent. of the total labour force of any one firm, and generally far less, have been described as "islands of comparative cleanliness in seas of degradation and filth." It is not necessary for me to picture to you all that this means in human misery, in pitifully high infantile mortality rates, and in the spread of sickness and disease. But when, to the disabilities of which you have already heard, is added houses such as these, do you wonder that the industrial worker, even if he comes from one of the poorest of the thousands of mud villages of India, nevertheless bears that village fondly in his mind as the one place above all others to which he would return as soon as circumstances permit? To him it is the place where friends and relatives are about him, where his home, even if only of mud and often windowless, nevertheless houses only his own family and is hedged about with that privacy so dear to the heart of all Indians, and particularly of all Indian women?

Who must we blame for these conditions, for allowing industry to develop haphazard, and, in consequence of such haphazard development, to catch the community unawares? Nobody but the

The Indian Factory Worker

workers can altogether escape responsibility. Yet the strange fact remains that such action as has been taken to remedy the evil has been in inverse ratio to the responsibility of those initiating it. Employers have done most, realising that the development of their industries has enhanced the difficulties in many areas. Municipalities have done least, failing not only to formulate and execute constructive housing policies, but also to use the existing machinery and powers to control lay-out and erection of new buildings. The subject is too big a one for treatment in this paper. For the share of Local Governments, municipal authorities, organised industry and the public in the remedying of the existing chaos, the evolution of schemes of organised planning, the building up of financial and other resources through Improvement Trusts and Co-operative Building Societies, and the breaking down of vested interests and the selfishness and greed of individual landlords, who now hold the community to ransom, I must again refer you to the Report itself. It is sufficient for me to say that for twelve years my work in the administration of the British Trade Boards or Minimum Wage Act carried me throughout the length and breadth of this country into the homes of the poorest, the lowest paid and the most helpless of the workers. Yet, different as are the climates and the social customs of the two countries, I saw nothing during those years to equal the frequent squalor and misery engendered by the housing conditions of the bulk of the workers in the industrial cities in India. Nor could any opiate remove from my mind the picture of many a so-called Indian "home" that I penetrated, at all hours of the day and sometimes late at night, from Lahore in the far north to Madura in the far south. Here again responsibility must be shared equally by the two races, and indeed by the whole of the literate public. But the need now is not to ascribe blame but to apply remedies, and thus to ensure for a future generation of workers, not only decent and sanitary accommodation, the right of every human being, but something that the worker may call home, and that will in some way compensate him for the strangeness of the new urban atmosphere and the loss of all the simple amenities which characterise his village home.

The picture of the factory worker cannot be complete without reference to his chronic indebtedness—that spectre of Indian civilisation that shadows the happiness of so large a section of her people, and plays so great a part in determining the standard of life of the workers. The Commission stated, "We are satisfied that the majority of industrial workers are in debt for the greater part of their working lives. Many, indeed, are born in debt, and it evokes both admiration and regret to find how commonly a son assumes responsibility for his father's debt, an obligation which rests on

Public Administration

religious and social, but seldom on legal, sanction." Nor is the burden of the capital debt the only weight to be carried. The rate of interest to be paid normally varies from 12 per cent. to 150 per cent., but may be even higher than that in certain cases, according to locality, occupation, the extent of the debt, the class of money-lender, and the security offered by the borrower. A common rate is an anna in the rupee or 75 per cent., the nearest equivalent of the penny in the shilling of the women money-lenders of our own mean streets. Yet such interest to one three months' wages in debt—no uncommon occurrence—means the payment of one-fifth of his monthly wage in interest alone. Sometimes things reach such a pitch that the worker's wage is taken in its entirety by the money-lender, and the security offered by the borrower. A common rate in cases even enslaves members of his family, putting them to work on a similar basis. Savings are impossible under such conditions. Petty luxuries and, indeed, often bare necessities go by the board.

Why, you may ask, does the worker resort to the money-lender, particularly as the industrial worker, unlike his brother agriculturist, having no land and often no tools as security, knows that he must pay an unduly high rate of interest? Social and religious festivals, and particularly marriage, are the main cause of indebtedness, a worker often borrowing a whole year's wage at a high rate of interest, without realising all that this entails in future misery. In his ignorance he puts his thumb print to a blank sheet, or to one on which the rate of interest is not specified. Only too often he continues in this semi-thralldom for the rest of his life, never succeeding in paying back the capital debt, nor much of the compound interest which has since accumulated. Indeed, only too often unemployment or ill-health cause him to borrow anew, a possibility due to the vicious fact that it is not in the interest of the money-lender that the debtor should repay the full amount, since his continued indebtedness means a continued source of revenue. A Usurious Loans Act of 1918 exists, but is of little use to this type of debtor. Moreover, there is a natural reluctance to interfere with the sanctity of contract, if you can allow that any sanctity attaches to contracts such as these, where the one party is so astute and the other so helpless. Nor is there any great faith in the efficacy of legislation for the regulation and curtailment of indebtedness. Yet the ease with which a worker obtains credit—in other words, his attractiveness as a field of investment—must be curtailed if he is to be protected.

It is along these lines that the Commission worked in submitting its recommendations for future legislation, which should institute a new procedure for the liquidation of unsecured debts due from workmen of this class. In addition it made certain other recom-

The Indian Factory Worker

mendations of a less radical kind. One was to prohibit the besetting of industrial establishments by money-lenders, who may be seen outside the gates of many big mills and factories, "lathi" in hand, waiting to belabour any unfortunate debtor unwilling to hand over the wages that have so recently been put into his hand. Another dealt with the abolition of imprisonment for debt in the case of industrial workers in receipt of wages amounting to less than 100 rupees a month, and of the attachment of wages and salaries in the case of those earning less than 300 rupees a month—thus prohibiting the money-lender from using the employer as his debt-collecting agency, a position only too common at present in the case of railway servants and others in regular employment. Finally, it was pointed out that indebtedness was closely related to the very general custom of paying wages only at long intervals, a month being the most common, and then frequently only after a delay of any period from a week to 15 days, and sometimes even longer. Weekly payments were advocated to all employers, and legislation was recommended on the basis of 16-day periods in the case of certain of the major industries now paying on a monthly basis, the period of delay in payment not to exceed 7 days.

You may feel that in this paper I have drawn an unduly sombre picture of the Indian factory worker and the conditions under which he lives. If that is so, it is because these are facts that cannot be balked—the general picture one which must be faced and not evaded. Yet do not think that even this cloud is without its silver lining. Remember that the population of India has increased $32\frac{1}{2}$ millions in a decade, and that only with the development of her industries, both in the factory and the home, can she relieve the growing pressure on the land. Remember also that the exodus from the village to the town, and from the town back again to the village, is one of the most educative forces at work in India to-day. The worker on his return brings with him fresh experiences, new standards, wider horizons. To quote once more from the report of the Commission: "He helps to diffuse throughout the countryside not merely his knowledge of a wider world, but a conception of liberty and of independence that is new to village society. If the contact now maintained were diminished or cut off, the result would be the impoverishment of rural India of a more than material kind." Moreover, bitter as is the poverty and pitiful the squalor in only too many workers' homes, the standard of living is slowly but steadily rising. If you remember to apply not the standards of the West, but those of India a generation ago, it is clear that the modern bazaars, be they in the city, on the plantation, or at the mine, show that the luxuries of yesterday are becoming, not yet the necessities, but still to large numbers,

Public Administration

the possibilities of to-day. For many the kerosene lamp supersedes the oil wick, even if for too many even a bed is still not always a possibility. Progress is there, fitful and intermittent as it may seem to those at close grips with actualities. It is to the shame of humanity, white, yellow or brown, that industrial progress has too often given rise to social and economic manifestations which detract seriously from the everyday happiness of those who so largely contribute to it. The future of the Indian worker lies in the hands of India, and it is ardently to be hoped that the new constitution will give him his rightful place in the social and political structure.

Judicial Functions of the Administrator

By E. P. EVEREST, M.B.E.

[Paper read before the Birmingham Regional Group of the Institute of Public Administration, October, 1931]

THE Administrator has many functions, and those connected with the executive, technical, financial and legislative side of his work have received considerable attention.

This evening we are to direct our thoughts to the Administrator in his judicial capacity—a function which is apt to be overlooked.

We are so accustomed to connect judicial functions with the Wig and Gown of the Bench and all the panoply of our Courts of law, that those judicial functions exercised by men in lounge suits or tweeds, at office desks or in council chambers, do not forcibly impress their true character upon us.

The lawyers present will possibly see in the title of our subject for discussion an excellent opportunity for a learned argument as to when a function is judicial.

And they might, with great enjoyment to themselves, spend the evening discussing this abstruse point, upon which even those most learned in the law do not agree.

Thus in the case of *Hearts of Oak Assurance Co. Ltd. v. Attorney-General*, reported in *The Times* newspaper of 16th July, 1931, the question arose whether an "inspection" held under Section 17 of the Industrial Assurance Act, 1923, by an inspector appointed by the Industrial Assurance Commissioner was a judicial proceeding or not.

The learned Attorney-General contended that such an inspection was a judicial inquiry, but the Master of the Rolls held that it was not judicial, whilst Lord Justice Lawrence thought that probably the Attorney-General was right but confessed that he had not really made up his own mind on the point and expressed no concluded opinion.

It is therefore obvious that if once we let this hare start to run we have enough material for at least this evening and we shall never approach our subject.

Public Administration

Let us therefore dispose of this beautiful legal point by defining "judicial" for our present purposes as including all functions of a judicial or quasi-judicial nature.

In that way we shall have a clear field to consider all forms of inquiry which lead to a decision, although that inquiry may not be, from the strict lawyer's standpoint, a judicial proceeding and although the decision may not in legal strictness be a judgment.

The Administrator may exercise judicial functions in one of two ways.

He may do so as part of the normal duties of his administration, or his judicial work may be in the nature of an excrescence, not connected even remotely with his administrative work.

Examples of judicial functions impinging upon administration are:—

Inspections under the Industrial Assurance Act previously referred to;

Appellate powers of the Minister of Health under the Housing and Town Planning Acts;

Licensing of cinemas by county councils;

Local authorities' power to issue or otherwise a Demolition Order under Housing Acts.

Examples of judicial work imposed upon Administrators without reference to their administrative duties are:—

Ex-officio magistracy of mayors and chairmen of district councils; Magisterial functions of London City Aldermen.

The ordinary Justice of the Peace exercises his judicial functions by reason of his inclusion in His Majesty's Commission of the Peace, but the *ex-officio* members are not in the Commission but sit by statutory authority in virtue of the administrative office to which they have been elected.

Somewhat analogous is the position of the Lord Mayor and Aldermen of London who at the Old Bailey are actually Judges of the Central Criminal Court and could, if they so chose, act as such although they may have no legal qualifications.

Beyond the fact that these judicial duties are exercised *ex officio* there is nothing in this side of the Administrator's judicial work to call for comment.

They are subject in their exercise to all the ordinary rules of law and legal procedure and to correction by the Superior Courts.

It is therefore with the judicial functions which impinge upon administration that we shall find a subject for our consideration to-night.

We have already seen, in the Hearts of Oak case, that statutory authority to an administrator or an administrative body to sit in

Judicial Functions of the Administrator

judgment may not necessarily, in law, be a judicial proceeding; and although for to-night's discussion we are adopting the colloquial and not the legal definition, yet the consequences of such proceedings not being judicial and of the Administrator not being a court, fundamentally affect the whole of the Administrator's judicial work and position.

"The King is the Fountain of Justice" is an old and tried legal maxim. He is the source of all judicial power in the State and the judges sit as his delegates in his name.

Now when the Administrator acts judicially or semi-judicially he is not sitting as a court and consequently is not sitting as the King's delegate.

It follows that the rules of common law applicable to the courts cannot be applied to the Administrator; and his actions cannot be corrected in the same way as the actions of a court. For instance it has been decided that an authority having power to issue licences to deal in game under the Game Act, 1831, is not a court and cannot therefore state a case for the opinion of the High Court upon questions of law arising before them in the matter of granting a licence. Nor can such questions be determined on *mandamus* to hear and determine where the authority have dealt with them to the best of their ability (*R. v. Bird* (1898) 62, J.P., 309). Wright, J., said "I think it is unfortunate that there is not some means by which administrative bodies in granting these licences can state a case for the opinion of the court on points of law arising before them We cannot interfere unless we are satisfied that the justices have determined contrary to the manifest general principles of justice; or were influenced in their decision by bribery, or bias or something of that description. That would be so even if they have exercised their discretion wrongly, not only as regards the facts, but also as regarding the law by erroneously interpreting the meaning of the section of the Act in question."

Those remarks of Mr. Justice Wright illustrate forcibly the difference between the Administrator and the Judiciary.

Even if the Administrator has wrongly advised himself on a point of law the court cannot correct him.

An interesting point in this case was that the court on the advice of Mr. Justice Darling, suggested that to get a judicial opinion on the point at issue the justices should, contrary to their reading of the Act, issue the licence desired on the understanding that the licensee should thereafter be prosecuted for dealing in game without a valid licence.

Legal records are unfortunately silent as to whether the justices adopted this ingenious advice.

Now, although the Court cannot in general review the Adminis-

Public Administration

trator's decisions and correct his honest errors, there are of course numerous cases in which the decision of the Administrator is subject to appeal, but those rights of appeal are statutory and are limited by the particular wording of the statute governing the matter.

They do not spring from the source of our Common Law—the King's justice—but from statute.

Consequently each case depends not upon the general or common law of the land but upon the statute creating the right of appeal and it does not follow that the subject has the same rights on that appeal or that the High Court can give the same relief as in an appeal based on the common law of the land.

The Common Law of England was the law administered by the King's Court as distinguished from the local customs administered by the Saxon courts. It had its origin in the King's Justices, who decided each case on their own notions of equity and referred to the *curia regis* when in doubt.

Custom was formed by practice; and the custom of the King's Court became the Common Law of the whole of England.

In administering justice a strictly legal tribunal is governed in the interpretation of law by common law maxims, statutes, and certain rules established by the reported decisions of the Law Courts, all of which are interposed in order to secure, as far as possible, uniformity of legal interpretation.

It is the absence of these maxims, rules of interpretation and rules of judicial conduct which marks the great gulf between the judiciary and the Judicial Administrator.

In the case of the judiciary the litigant knows that he is going before a tribunal which will be guided by fairly settled and definite legal rules which are the growth of ages; in the case of the Judicial Administrator fate is decided by a tribunal having no such guidance and having generally evolved no rules for itself.

We must remember the manner in which those maxims and rules are used by the courts.

It is well expressed in a maxim of Lord Chief Justice Mansfield: "The *reason* and *spirit* of cases make law; not the letter of particular precedents." (*Fisher v. Prince* (1763).)

Perhaps the best way to illustrate the effect of the gulf is to select haphazard a few of those thousands of maxims and rules and see how the absence of them affects the judicial functions of the Administrator.

Bias.

"It is as important that justice should seem to be done as that it should be done." (*R. v. Byles.*)

Those who have much experience of summary jurisdiction know

Judicial Functions of the Administrator

full well the importance which the courts attach to this maxim and the enormous list of cases in which, although no actual injustice has been done, the behaviour or position of some justice or of an officer of the court has been held to be such that a litigant may reasonably consider that he has not received a fair and impartial hearing. Proceedings will be set aside not merely because a justice has shown bias but because something in his conduct, actions or position might seem to make him a biased person.

Definite proved bias in a Judicial Administrator may lead to a reversal of his decisions but there is no recorded case where an administrative decision has been set aside because it might seem from surrounding circumstances that justice has not been done.

This difference between the position of the court and the Judicial Administrator has two general results.

In the first place the Justice and his advisers are aware that not only must their actions be above suspicion but they must also *seem* to be above suspicion, so that they are constantly on their guard to do nothing which will stultify their decision.

But the Judicial Administrator has no such constant warning to act as a check on himself, with the natural consequence that he is frequently careless as to whether his procedure, actions, or words, tend to give rise to the impression that he is not doing justice.

The second result is the effect on the public mind.

Although we still occasionally hear allegations of a packed Bench it is unquestionable that the strength of British justice is largely due to the confidence of the people in the integrity with which it is administered. That confidence is founded upon the certainty that the courts will rigidly enforce the rule that justice shall not only be done, but shall manifestly and undoubtedly seem to be done.

On the other hand the absence of such a salutary rule in the judicial life of the Administrator frequently leads to the belief that justice is not done even when, in fact, the Administrator has given a perfectly honest decision.

To take a recent instance as a concrete example.

Under the Local Government Act, 1929, the Minister of Transport was made the judge between the county and rural district councils on appeals to to whether highway functions should be delegated to the district councils.

The manner in which those appeals were dealt with by the Minister was such that, however just his decision may have been, no member of a rural district council whose appeal was rejected believes that justice was done to his district by the Minister.

In dealing with the appeals every canon of British law was violated by the department; parties were allowed to get into private

Public Administration

touch with the department; trials in the form of inquiries were held by men with no experience of procedure with most extraordinary consequences; no evidence was taken; and (the great fault of all Ministerial judicial work), the final decision or judgment was not given by the person who conducted the inquiry or trial.

Probably the Minister could, as he said, justify every decision which he gave, but what he cannot justify is the *appearance* of injustice due to his procedure.

The Department obviously did not regard it as important that justice should *seem* to be done.

Now if that impression, for it is no more than an impression, can be so widely held by public representatives who are themselves accustomed to act in a judicial capacity, how much more may it be held by an ordinary citizen who takes no active part in public life.

If you can imagine yourselves as such a citizen what would be your feelings if you came before a local authority as an objector, say, to the making of a Demolition Order for some property which you owned.

Your judges are persons charged with the duty of demolishing unsatisfactory property; they may have proved themselves very zealous in the performance of their duty; you may feel from their previous action in demolishing other property in your neighbourhood that your little cottage is to them but an uninteresting unit in their general scheme of reform; the person whose charges you have to refute is their official; and you naturally feel that the scales are heavily weighted before you appear on the scenes. For all you know they may even have discussed your property with their reporting officers before you received any intimation that their eyes were upon it. You feel instinctively that the accuser has nearly got his verdict before you have been heard.

And yet, all the time, you may, and probably have, a tribunal whose real leaning is to you; who will give you the verdict on the most flimsy case which you can present.

But if the verdict is against you, nothing will persuade you that justice has been done because there is, in the essential procedure, every appearance of injustice.

Those who, like most of us here, have had the opportunity of seeing how the Judicial Administrator functions both in Government Departments and in local authorities, know full well and often to their sorrow, that he invariably leans heavily to the private individual. The criminal gets the benefit of the doubt, but the private individual defending his position before a Judicial Administrator frequently gets the benefit even when there is no doubt.

But although *we* know this, it is impossible for the private indi-

Judicial Functions of the Administrator

vidual to realise it and the procedure, surroundings, and especially the unavoidable mixture of the Administrator's executive and judicial functions, must and does make it appear that justice is not done.

Use of Decisions.

"The principle of decided cases binds a court of law and the principle when clearly laid down must be followed even though the Judge himself may not concur in it."

Now the Judicial Administrator has no decided cases laying down principles which he must follow in the future.

He gives his decision to the best of his ability and if he is liable to appeal—as in the case of a local authority making a Demolition Order—he is either upheld or overruled by the appellate body without necessarily having any guidance as to the principle upon which that appeal was decided.

One of the most striking examples of this was the appellate jurisdiction of the Local Government Board in cases of settlement and removal of paupers.

Normally, appeals from Removal Orders went to the Court of Quarter Sessions and on to the High Court on points of law, but the parties might, by agreement, refer the dispute to the Local Government Board for decision.

On the face of it this inexpensive method of getting matters settled appears to have overwhelming advantages.

Nevertheless it was never popular with Boards of Guardians and the reason is that going to the courts you get not merely a decision as to whether A is settled in X or Y but also the principle upon which the court decides the question, which principle can be applied to future cases.

On the other hand if you go to the Board (now the Minister of Health) you get merely a decision that A is legally settled in X or Y.

No indication is given of the principle underlying the decision and consequently there is nothing to assist either party in the next case which comes along.

In fact it has even been suggested that some of the decisions have violated principles laid down by the Courts. Whether that is so or not, the fact remains that if the same absence of guiding principles continues to be followed such decisions will lead nowhere.

It is satisfactory to observe that the same Ministry is, in another Department, commencing to create principles in giving its decisions, for in the 11th Annual Report of the Ministry of Health (pp. 101 *et seq.*) we find that in connection with appeals under the Town Planning Act the Department gives its reasons for upholding or reversing the decision of local authorities.

Public Administration

In these reasons we have maxims which local authorities can follow as precedents and, if time shows that the Ministry sticks to the principles which it has enunciated, we shall expect to find growing up in this branch of the Administrator's judicial functions a code, not of decisions, but of principles upon which decisions should be based.

A similar course has been followed by the Ministry in appeals under the Housing Act, 1925 (p. 84).

These developments are significant. They indicate that amongst one branch of Judicial Administrators at any rate the necessity for ordered law is becoming apparent, and from this beginning a branch of Administrative Jurisprudence may well be evolved.

Judicial Discretion.

"In many matters, such for example the issue of a mandamus, the courts have a discretion, but that discretion is not to be exercised according to the fancy of the court but in accordance with the established rules of law and equity."

In many cases the exercise of discretion is entrusted to Judicial Administrators and that discretion may be judicial or equitable according to the terms of the statute.

Where an equitable discretion is given it has usually been considered that the word "equitable" is to be treated colloquially and not in its legal sense.

In other words, that the Administrator is to act more or less as he thinks desirable.

Here again the last Annual Report of the Ministry of Health (p. 125) shows that there is growing in the Administration a feeling that, when acting judicially, the Administrator must look to some legal basis and not trust to his instincts.

In connection with appeals under the Private Streets Works Acts, apart from laying down principles which the Ministry commenced to do in its 10th Report, we find that careful consideration has been given as to how the Minister should exercise his equitable jurisdiction.

On this point the Report says: "It appears to (the Minister) that the provision in section 268 of the Public Health Act, 1875, under which the Local Government Board (now the Minister of Health) may make such order in the matter as to the said Board may seem equitable was not intended to empower the Minister by his Order to produce a result which the local authority under section 150 of the Act of 1875 could not themselves produce. The Authority cannot under that Act do what an authority are empowered to do by section 10 of the Act of 1892 . . . While it may be anomalous

Judicial Functions of the Administrator

that there should be two alternative codes dealing with the same subject-matter and containing different provisions, and while there may be a case for legislation when an opportunity occurs, the Minister has taken the view that to seek to rectify the position by the exercise of his equitable jurisdiction on appeals would be an unwarrantable exercise of his powers."

You will see the significance of this passage.

The Minister does not suggest that he has not the legal power to exercise jurisdiction in the way in which he would apparently wish to do, but he examines the statute from the strictly judicial angle and binds himself by a maxim which may be a precedent for him to follow in other matters.

In this way rules of law are created.

Uniformity of Judgment.

"On the grounds of judicial comity a court bows to its own decisions."

Once a court has in its decision laid down a principle it will follow that principle in other cases unless and until it is overruled by a superior court.

Consequently, except where the dispute is purely on a question of fact, if the principle in dispute has been settled it is useless going to that court to upset it.

But the Judicial Administrator has no such rule to govern his actions, and he may and often does act on one principle to-day and another to-morrow.

That is probably why some optimistic people turn up each year at Assessment Committees, hoping that they will be heard on some day when the Committee has forgotten the principle upon which it has previously acted, or on some day when the Committee has decided to adopt a different principle in its decisions.

This cursory examination of a few stray maxims has been undertaken to bring to your minds a picture of the difference between the Judiciary and the Judicial Administrator.

It is sufficient to illustrate the reason why, in some quarters, there is a growing demand for the removal of judicial matters from the Administrator to the Courts; a process which has actually commenced in some of the provisions of the last Housing Act and which it is proposed to carry further in the Town and Country Planning Bill.

It suggests three questions:—

1. Is it more desirable to continue and extend the judicial work

Public Administration

- of the Administrator, than to accelerate its transfer to the courts?
2. If the Administrator is to continue his judicial work, should it be left in its present fluid and largely guideless state or should some effort be made to regularise, guide and direct it into ordered channels?
 3. If some regulation is desirable, is it better to attempt an assimilation to the common law and judicial rules and maxims, or should the Administrator build up for himself a code of practice, conduct, principle and rule?

Possibly the answer to our first question will be that some of the things which, for the purpose of to-night's discussion we are regarding as judicial, are so interwoven with administration that separation would be impossible, and one knows that in certain high quarters it is held that, even if it were possible, the transfer of semi-judicial matters to the courts would present insuperable difficulties.

If our first question is answered in favour of the Judicial Administrator the answer to the second is probably to be found in a reference to what we have already seen happening in a small way in some departments of the Ministry of Health.

That is to say, that the growth of some sort of order and principle has commenced. True it is at present in a nebulous state, but so, at some remote period, was the common law of England.

If the action in the Ministry is a conscious one, growth must inevitably follow; but if it is unconscious its growth or sudden death may depend upon whether the next officer to take on these particular departments realises the possibilities created for him.

If one great department gets an ordered rule of law established it is bound to spread to other departments because properly regulated decisions will inspire confidence and trust in the department which institutes them.

The third question is one upon which we shall probably have divergent opinions. It is after all largely, if not entirely, a matter of opinion.

The practising lawyer will probably go all out for assimilating the practice of the courts.

The lay Administrator can confidently be expected to assert that the Administration can evolve a far finer code for itself.

Which leaves us only the "Lawyer-Administrator," who for the present at any rate craves permission to remain comfortably seated on the fence.

Reviews

The Theory and Practice of Modern Government

By Dr. HERMAN FINER, D.Sc. 2 vols., 1,550 pp. (Methuen & Co.) 42s. net.

THE study of the art or science of Government is now at once more difficult and more important than in any previous age. For the most part, throughout history, the main question of Government has been, who shall exercise it? Successive sovereign states have competed to extend their territory and their domination; and within them classes and parties have struggled to seize the reins of power. The question of how to exercise the power was secondary to that of how to obtain it. The content of government till this century was relatively simple. The struggle for power, especially between the classes in each community, continues. But, as the activities, the desires and the ambitions of man, which it is the task of government to control and direct, develop, a deeper question assumes importance. Can government, whoever exercises it, achieve its task? Can man's regulative wisdom control the thrust of individual initiatives so that they are not reciprocally destructive? Each new scientific invention, each increase in the complexity of the economic organisation of the world, new social ambitions, powerful organisations—industrial, financial, occupational, within each country—*imperia in imperio*—improvements in the mechanism for the transmission of news, all add to the complexity of government. And man's regulative wisdom does not grow in proportion to its task. "Things are in the saddle and ride mankind," cried General Smuts, in the chaos of the world's first aftermath. Man has not yet securely regained his seat and the control of his destinies.

To the study of this fundamental problem of how the world can govern itself, Dr. Finer has made a monumental contribution in his "Theory and Practice of Modern Government," a work of two volumes and some 1,500 pages. He explains its scope in the Preface. "Its foundation is the political activity of four democracies, Great Britain, France, Germany and the United States." He considers that—

"the fullness of the material used and the caution with which it has been handled, will give the judgments so formed a universal application." "Its comprehensiveness," he says, "is due to the subjects handled, the inclusion of novel and important facts, and the depth to which the analysis is pressed." "Nor has any work hitherto regarded and presented the various elements of govern-

Public Administration

ment as a living whole the present study contains something new, be it in fact, or interpretation, on every page the work is founded upon all the available material, primary sources and secondary works The main political institutions of the western world are surveyed not only in their legal form, but in their operation" "The book is concerned with the dynamic and the developmental in the process and structure of government. It treats the material, not in the fashion of previous studies, like those of Lowell and Bryce, country by country, but subject by subject—each set of institutions is taken for all countries together. That is, it is truly comparative, and this affords the basis for sound generalisation."

I have thought it well to quote at some length from the Preface because it shows clearly the ambitious character of the task which Dr. Finer has attempted, the confident assurance with which he has embarked upon it, the industry and learning which he has devoted to it—and perhaps also some of the defects in style and method and experience, of which he is himself not unnaturally less conscious.

Let me first, however, before I criticise, pay a very sincere tribute to the merits of this work. Dr. Finer's learning is stupendous, his industry almost inhuman. And the assemblage of such a store of information as he has here brought together requires qualities of organisation of a very high and rare order. Here is a mine of knowledge in which many of us will quarry for long to come. He has also greatly aided those who wish to use his work by the fullness of his references to his sources. To provide an encyclopædia of this kind, even apart from the interpretative comments and personal suggestions which Dr. Finer has added, is a very real achievement and a very considerable service to all who will work in this field in future.

It is with some reluctance that, with a vivid consciousness of these merits and the value of this achievement, I comment upon certain defects which must, I think, diminish the utility of Dr. Finer's work, when we consider it not only as an encyclopædia or work of reference but as a critical and constructive treatise on the subject with which it deals.

In the first place, his style (and this is no small matter for the prospective reader of 1,500 pages) is somewhat heavy and monotonous. This is not due merely to a not altogether perfect mastery of the English language. The reader flags under the burden of accumulated facts thrust upon him; and he feels increasingly that the weight of Dr. Finer's learning has also been somewhat too great for himself. It has crushed his sense of proportion; the trivial and the vital are imperfectly distinguished; and the impression of monotony comes probably as much from this absence of relief as

Reviews

from the actual choice of words. This in turn is probably due to what I suspect (without actual knowledge) to be an imperfect practical contact with the world of which he is writing. Government is at least as much an art as a science. It is difficult for any who have not been actually engaged in politics or administration to sift what matters from what does not. And the multiplicity of indiscriminating printed records in which those who practise administration describe their activities, each with the natural human tendency to see one's own work in a perspective which exaggerates its importance, increases this difficulty. The distinctive quality of the best English contributions to political science has been a penetrating vision which has gone to the heart of an obscure subject. This quality as we see it in Bagehot or in Bryce obviously comes from the intimate contact with reality of these men of affairs. This quality is not possessed by Dr. Finer.

For a work of this kind, valuable above all as a work of reference, I doubt if Dr. Finer's treatment of subject by subject, as distinct from country by country, is the right one. Were his treatise one in which the chief value was to be found in his ideas, his criticisms, and his proposals, the facts being illustrative, his method, which facilitates comparison, would obviously be preferable. But for purposes of reference the alternative division is more convenient.

The readers of this Journal will perhaps turn with special interest to what Dr. Finer has to say of the Civil Services of the four countries with which he deals, and will note that we are promised later volumes on Local Authorities and the Judiciary. Here again we have a useful compendium of history and a storehouse of facts which enable us to compare the methods and experience of the four countries. His comments and suggestions will provoke discussion. He remarks with truth that the present probationary period in the British Civil Service is a complete unreality. He considers that some specific form of practical training should follow acceptance into the service in the higher administrative classes. He suggests that this should be an amalgam of work with local government authorities and foreign travel.

"I believe," he says, "it would repay the country again and again if it gave its successful candidates, even before they had chosen their Departments, the Grand Tour abroad for two years." Personally I do not agree with this proposal. It would be extremely expensive; it would result in the Civil Servant starting his practical and responsible work at too late an age; and it would not in fact give the training or education required. Travel as such does little to train; variety of responsible work at home or abroad is by far the most fruitful form of education. The Service needs to be so organised and managed, as in many departments it easily can,

Public Administration

as to afford its new entrants into the administrative classes direct contact with the local activities, whether at home or abroad, with which their work is concerned, and some variety of experience. A few months of changing experience of this kind would do more to increase an official's future usefulness, and to develop him as a man, than two years' of irresponsible touring. It is this actual and practical work, so arranged as to give variety of experience, that is needed to supplement the "mere booklearning of the administrative entrant," and repeated throughout life, to give him the "pungent sense of effective reality" which is needed. This—and neither "some specific form of practical training," nor a "Grand Tour," nor "Sabbatarian years" (Dr. Finer's other proposal).

Dr. Finer's work is so voluminous that one hesitates to suggest that it might usefully have included what is now absent from it. But he has described four democracies, largely for the purpose of obtaining generalisations as to modern government as a whole. With this object he would I think have found it valuable to select also a smaller country which would exhibit a general picture more clearly because of the difference of scale. Switzerland, for example, is in some respects a more illuminating instance of federation than the U.S.A. and perhaps a more successful example of democracy in all its economic and social as well as its political aspects, than any of the four great countries selected. Nor is any account of English government complete without more consideration than Dr. Finer gives of its relations with the Empire, particularly the self-governing Dominions, and of the embryonic form of a Federalistic Commonwealth which is the alternative to future separation. Similarly, the problems of national government are now, over so large and rapidly increasing a range, inextricably involved with the policy and administration of other countries that some reference at least would have been desirable to the embryonic international government of the League of Nations and its new Civil Service.

After these criticisms I will finish by emphasising the merits of the book, which no limitations should be allowed to obscure. If we should—as we certainly should—bring a critical and questioning judgment to Dr. Finer's theories and proposals; if we must—as we certainly must—try to build up in our minds a map of the governments of the world and their methods which is more in relief and less one-dimensional than his; we have here at least the material for the work he has still left us to do; industriously and carefully compiled; conveniently collated; based upon original resources to which he guides us; and accompanied by comments which are sometimes illuminating and sometimes (not less usefully) provocative.

ARTHUR SALTER.

Reviews

Recovery

By Sir ARTHUR SALTER, K.C.B. Pp. xvi + 306. (G. Bell & Sons.) 10s. 6d.

It would be hard to imagine anyone better qualified than Sir Arthur Salter to prepare a series of view-points for world recovery. He has had the necessary experience of affairs national and international, experience, moreover, which has been constructive as well as administrative, and he stands above all the party battles, both those of economic theorists and those of politicians. Neither the reader of PUBLIC ADMINISTRATION nor any other well-informed person has the least doubt of Sir Arthur's credentials. His book was assured from the moment of publication of the most earnest consideration. If in these days of strain and stress any book can rest on buoyancy to a puzzled but not yet despondent Anglo-Saxon world, this essay in persuasive sanity will do it. Its influence may well become comparable—both positively in what it helps those in high places to see and do, and negatively in what it fails to lead them to attempt—with that of Mr. Keynes's *Economic Consequences of the Peace*. The obvious connection between the themes of the two books need scarcely be mentioned.

Recovery contains in Part I an analysis of "The Present Scene" in terms which are almost exclusively economic; in Part II an elaboration of the "Economic and Financial Reforms" which are necessary to the solution of our problems; in Part III an examination of "The Political Scene" as determined by the events of the last decade; in Part IV a "Programme of Action in Summary," economic and political. To discuss Sir Arthur's chapters in detail would require as many pages as have gone to the making of his book, for most of us a great many more. Sir Arthur has command of a style so lucid and so compelling that there is never a half-thought or an undisciplined sentence to mar the progress of the text. It is not worth while in a brief review to attempt more than an examination of the diagnosis Sir Arthur makes of the cause of our troubles and an assessment of the adequacy of the remedies he proposes. The clue to present distresses, he says, is dislocation: "it is one not of destruction, or of failure in production or in resources, but of dislocation. . . . Ours is a problem of the impoverishment that comes with plenty. It comes from defects in human organisation and direction, from imperfect planning, from weakness in our financial and distributive systems—from essentially remediable evils and essentially removable causes." This clue is followed up step by step till the outstanding features of the world depression are laid bare. The rigidity of economic organisation, the capriciousness

Public Administration

of demand, the over-production of primary commodities, the speculative mania, defects in the credit system, the gold situation, the burdens of war debts and reparations, restrictions of migration are vividly described till the analysis reaches its remorseless climax in the crash of 1931 and its still incomplete *sequelæ*. This brilliantly cogent examination is prefaced by a powerful chapter on the transformation of the traditional system of free competition—a chapter which will be quarried in by the economic historians decades ahead who are bent upon the discovery of the factors which have given our age its distinguishing characteristics. One can pick out the quotations they will make. "The distinguishing feature of the system, which we need to emphasise as it passes from us, was its self-regulating and automatic quality. . . . If for the moment there was some central control—as in a corner of wheat, for example—it was through some defect or abuse of the normal system. . . . To imagine that at the centre of the intricate web of man's economic activities stand a few constructive and controlling intelligencies is to entertain a romantic illusion. . . . Now our environment of social ambition and of industrial technique has changed. . . . Without securing the advantages of deliberate planning, we have enough official control and private privilege and monopoly to impede the automatic adjustments, and to restrict the benefits of competition to the consumer. . . . Legislation is national, and over wide and increasing areas of industry the market is international. . . . Over a very large range of articles the effective limit to the price charged is not the competitive cost (price understandings or monopolies having abolished that limit) but what the market will bear; that is, the price beyond which the consumer would do without the article." Such is the diagnosis. Only those who are wedded to a belief that there is one dominating cause of our troubles, only the doctrinaires with their "open sesame" approach, can dissent.

And what of the remedies? Again detailed discussion is impossible. "We need," says Sir Arthur, "to construct such a framework of law, customs, institutions, and planned guidance and direction that the thrust of individual effort and ambition can only operate to the general advantage." Not a middle way, but a new way, in which the benefits of competition and free enterprise on the one hand and of general planning on the other will be so harmonised that the gains of both will accrue without the abuses of either. As a preliminary, gold must be disciplined by the creation of conditions under which the gold standard can again work satisfactorily; there must be an increase in gold prices and their stability. The world's credit system, similarly, must be made to function in a world manner: creditor governments must guarantee the loans made to

Reviews

debtor countries. There must be a further moratorium for war debts and reparations and a realistic assessment of them. Tariffs must be revised. International cartels must be international in spirit as well as form. Collective leadership and control must be organised. Peace must be guaranteed. . . . Point after point, till one feels that nothing can possibly have been forgotten, and men of good will all over the world must have been persuaded.

Are the remedies adequate to the disease? That is the point where doubt emerges. Given all that Sir Arthur desiderates, what then? It is open to serious question whether more than a temporary recovery would result, a considerable recovery, but temporary all the same. Would these remedies really meet the situation *as diagnosed*? The doubt enters because less than the necessary weight has been given to the considerations stated in the chapter on the breakdown of the free competitive system. Sir Arthur, it seems, has less than half an eye on the long-term factors. The present position of the countries producing primary products, for example, is not in any considerable measure altered by these proposals. The mechanisation of agriculture will go on. So will the expansion of industrialism in the world's poorest countries, which, as mechanism advances over a wider range of industries, will be able to exploit increasingly their differential labour advantage over their more highly industrialised competitors. Again, the advance of industrialism has intensified economic nationalism: do Sir Arthur Salter's reforms really meet that situation? Do they lead to an assimilation of the standards of life of say Indians and British? Agreements to control, made between the more advanced communities, may well break down here. The feeling one has is that Sir Arthur's masterly analysis is too narrowly based: it tends to ignore these differences between communities on the one hand and the technological aspects of industrial change on the other. It is arguable that but for the preparations for the so-called Great War, and then the War itself and its various military epilogues, the phase of recovery which filled the years following 1896 would not have occurred—that we experienced then, after the previous quarter century's depression, a recovery which was a bit of a fluke, due to a conjunction of factors unlikely to recur together again. A plan for a permanent remaking of our economic order must be such as to include that situation of capitalism running down as well as the post-war aggravations of it. It is doubtful how far Sir Arthur Salter's prescription is adequate.

H. L. BEALES.

Public Administration

British Trade and Industry: Past and Future

By G. D. H. COLE. Pp. 466. (Macmillan & Co., Ltd.) Price 16s. net.

IN this book Mr. Cole sets out to "track down" the cause or causes of our present economic distresses.

Following an introductory chapter designed to indicate the nature of the problem for which a solution has to be sought, six chapters, comprising about 90 pages, are devoted to "An Outline History of British Trade" from the eighteenth century to 1921. This compression, however, is only rendered possible and consistent with useful results by the fact that its actual scope is neither so wide nor so sketchy as its title would lead one to expect. The available statistical records are examined to ascertain (a) when booms and depressions in trade occurred, (b) the duration and height or depth of these movements, and finally (c) their attendant circumstances or apparent causes. From their study the chief conclusion drawn is that the so-called trade cycle is a myth. There is no such rhythmical movement of commerce as this theory implies, and no one constant or recurrent cause of trade booms and depressions. The causes of trade depressions—and it is the depressions which have been most keenly studied—are normally complex and are not subject to automatic repetition by any law of nature or economics. The causes of each depression must therefore be separately studied.

Mr. Cole proceeds to study post-war conditions in some detail—not hesitating to return to his historical period when further support for some conclusion is desired. Nearly 120 pages are devoted to a careful summary of the facts—mainly statistical. The chapter headings give some indication of the scope of this inquiry. They are:—

World Trade and Production, 1924-30.

British Overseas Trade since the War.

The Progress of Production in Great Britain since the War.

The World Slump.

Then follow two chapters, covering between them over fifty pages, in which the author deals with the chief causes of the present economic difficulties. These are headed:—

The Monetary Factors, and

The Roots of Instability: The United States and Germany.

The remaining 140 pages are devoted to an examination of economic, social, and political reactions to the depression. Here again to quote the chapter headings is the simplest and clearest means of indicating their scope. They are:—

The Wages Question.

National Incomes and Productivities.

Reviews

Tariffs and Economic Nationalism.

British Industry and the Future.

The Need for Home Development.

Taken together they almost read like a peroration.

The spirit in which this field is traversed by Mr. Cole is one of profound distrust in the ability of our economic system to right itself unaided. Left to themselves individuals, or nations for that matter, cannot maintain an unplanned economic system in equilibrium by simply allowing the acquisitive instinct free play. Many who do not share Mr. Cole's social philosophy will sympathise with this attitude. At the same time they will probably not allow their dislike of *laissez faire* economics to lead them to the extreme lengths of agreeing with his view that—

"the American boom and the American slump were both, for the world as a whole, disasters of the first magnitude, and *I feel no hesitation in laying upon them the main responsibility for the world economic collapse.*"

The American boom and slump do, of course, provide a first-class example of the *stimuli* of the acquisitive instinct accelerating the pace with which economic troubles accumulated. But what caused the American boom and slump?

Then again Mr. Cole's obsession that the economic system is always liable to get into a state of disequilibrium leads him into an argument of the type which concerns itself with the priority of the hen or the egg in the chain of causation. In his chapter "The Monetary Factors" there appears the following passage:—

"There is thus a strong *prima facie* case for attributing many of the larger falls in prices of particular commodities primarily to disproportionate production, in the sense either of absolute increase or of increase in relation to demand."

And there is some argument in support of this view, including an emphasised reference to the "singular unevenness" of the price fall. But surely all price reductions of a depressing character are due to "disproportionate production" in relation to realised demand. The severity with which a general fall in demand—such as would follow from monetary deflation—affects different industries depends on (a) elasticity of demand; (b) elasticity of supply, *i.e.*, the ability of the industry to adapt itself quickly, readily, and cheaply to changing conditions. If it is desired to prove that even if the world had received no shock from the mismanagement of its monetary system the prices of raw materials would still have slumped because of over-production, more direct evidence will be required than that submitted by Mr. Cole. I suggest also that the fall in demand for raw materials is in the process of a trade slump, liable to be more

Public Administration

catastrophic than the fall in demand for consumers' goods. At each stage between the consumer of finished goods and the purchaser of raw materials the business man, when prices are falling, attempts to liquidate stocks and maintains only hand-to-mouth buying. The effect of this is felt most severely at the raw material end of the process.

But it is manifestly unfair in a brief review to devote so much space to those points where the reviewer finds a difficulty either in following the methods of the author or in accepting his conclusions.

This difficulty is not lessened by the reflection that compliments to the author on the competence of his work are superfluous at this date. Mr. Cole has won for himself a position amongst economists which ensures him against such conventional treatment. To add to such a reputation is no easy task, but Mr. Cole has achieved it in this book. Not only is it received by his friends and others as another example of masterly handling of complicated dates, it is welcomed as a courageous filling up of what up to the present has been the most obvious lacuna in his work. In his acceptance of the necessity of trade and his analysis of the conditions—economic, social, and political—essential to its healthy development, he has incidentally faced up squarely to the query so persistently posed by critics of his proposals for social change: "How can it be paid for?" To everyone who wishes to keep in touch with the best thought on present economic problems he offers a book which they cannot afford to miss.

A. C. STEWART.

London Transport

"The Romance of the Underground," by W. J. Passingham. (Sampson Low.) Price 12s. 6d.

"London's Passenger Transport Problem," by Gilbert J. Ponsonby. (P. S. King and Son.) 3s. 6d. net.

LITERATURE outside the library of official reports is growing up round the London transport problem.

London shares with New York the position of having to face the most difficult and biggest traffic problem in the world, and the two cities have vied with each other in failing to reach a solution. Each city is the centre of a traffic area having a population of about ten millions. In each a prodigious amount of capital has been wasted in futile short-sighted schemes and wasteful competition. In Metropolitan New York the politicians and officials—also politicians—have added considerably to the waste by intercepting millions in "graft." That has been perhaps the dominant feature of the New

Reviews

York problem; the exploitation of the interests by the politicians and the exploitation of the community by the interests. The one involves the other. In Metropolitan London the chief feature has been the hold up of reforms by purblind conservatism; fierce opposition to the introduction of new systems and inability to offer alternatives to even moderate improvements.

Pioneers met with discouragement at every turn. Reforms were held up until they were out of date. The people of London had no voice in these matters. Parliament was the only body which had effective authority. It never initiated a policy but favoured intensive competition between different systems which should have been complementary to each other, and competition between the same systems—always with the result that traffic facilities were disjointed, wasteful and chaotic.

Mr. Passingham in his well-written book on "the Romance of the Underground," points out that London's big traffic problem arose as soon as railways, in the teeth of powerful and bitter hostility, were brought to London in 1836. He says:—

"Hardly had the opposition begun to subside than London faced her first traffic problem, and those who had no ideas for handling it—who never had an idea in their lives other than what was popular opinion—waited grimly for the first fool to come forward with a suggestion. The fool came—fools do in every place in posterity. In this case the first suggestion for relieving London of the provincial invasion came from the City Solicitor, Mr. Charles Pearson. It followed naturally that his idea was received with universal derision and considerable indignation. His idea was none other than a subterranean railway to transport passengers from place to place about the City, and without adding to the chaos already existing in overcrowded thoroughfares. Such an outrageous scheme caused many responsible persons to declare that the City Solicitor had taken leave of his senses. When details of the idea became known the 'underground railway' was the best joke in town."

Mr. Pearson nearly 100 years ago had hit upon the real solution of London's problem. There was only room for the multitude to travel underground. Pearson's conception was not entirely original. Brunel, the great engineer, had conceived the idea of tunnelling under the Thames as far back as 1799. A project for a tunnel between Gravesend and Tilbury failed. Another scheme for a tunnel for pedestrians between Rotherhithe and Limehouse collapsed in a material sense and also for lack of financial support. Finally, an Act was passed with the help of the Duke of Wellington in 1824, authorising the construction of a tunnel under the Thames between

Reviews

Rotherhithe and Wapping, and this project did not meet with its Waterloo. It is in existence to-day, and forms part of the underground railway between Wapping and Rotherhithe. The Government had finally to give financial help before the undertaking was finished. Brunel was rewarded with a knighthood for his achievement.

Pearson, the Solicitor, encouraged by the success of the Engineer, pressed forward his scheme, still in the face of bitter opposition and what at times seemed insurmountable difficulties. He kept on and finally triumphed in 1853, when Parliament granted powers for the construction of an underground railway between Farringdon Street and Bishop's Road, Paddington. Pearson was the founder of the Metropolitan Railway—the pioneer of underground travel in London. It was not, however, until ten years after the railway was sanctioned that it was opened for traffic.

This first underground provided a very crude uncomfortable, not to say unpleasant, mode of transport compared with the luxurious tubes and Underground Pullmans of to-day. Before many years, there were extensions of the Underground system. The Metropolitan District followed the Metropolitan, and the Inner Circle was completed. It was not until the introduction of electricity in place of steam that there was a marked improvement in speed and comfort.

The next new development in metropolitan transport came from the introduction of another type of underground—the Tube. An engineer named Peter Barlow developed the idea of the tube from studying Brunel's tunnel. Barlow was the first man to see the possibility of tunnelling a railway by driving a shield through the London clay. His first scheme was launched in 1867.

Barlow constructed the Thames tunnel between Tower Hill and Bermondsey. "The Thames Tunnel," says Mr. Passingham, "was London's first shield-driven iron line tunnel, and the little car it contained that seated 12 passengers formed London's first tube railway." Barlow's feat encouraged Greathead, his assistant, to develop the system, and the next advance was made when, by the use of the Greathead shield the City and South London Railway was constructed. It was three miles in length; it was opened by King Edward, as Prince of Wales. Apart from the Barlow miniature tunnel it was the first tube and the first electric railway. It has recently been reconstructed to conform to modern requirements.

Progress in the engineering side of underground and tube railways in London and in the rolling stock has steadily improved, with such accessories as giant lifts, escalators, &c.

Mr. Passingham describes with considerable detail the system of management of the Underground Group and the numerous improve-

Public Administration

ments which have been introduced since Lord Ashfield became responsible for the management. From a commercial point of view there was no marked improvement until the Underground formed the centre of a pool including tubes, buses and tramways in outer London, but the unification of the London traffic has remained incomplete and the wasteful competition continues, leaving the problem still unsolved.

Here Mr. Ponsonby takes up the running in his book on "London's Passenger Transport Problem." He deals with the problem as it exists to-day, which he has studied in all its aspects. He comes to the inevitable conclusion that:—

"The simple fact that a proper development of London's transport system requires the growth of *all* facilities, and that if any one link in the chain falls short of requirements the whole will suffer, is self-evident. It has led many to the view that there is a case for the constitution of some over-riding authority at least to supervise, if not to control, the development of all facilities, lest one should prove slow, or fail altogether, to react to changing demands."

Mr. Ponsonby argues the case very fully. His statements are well supported by facts and statistics, and he comes, on the evidence before him, to the conclusion that progress is arrested by fear of future competition and that the necessary extensions of tubes and other facilities can only be carried out if the State comes to the aid of companies or if a unified system is established. He sees in the Bill of last session the best method of solving the problem. This solution, he says, should make provision for "the financial fusion of the Underground group, all the omnibus undertakings, as well as the tramways, and it must bring about such a relationship between these agencies and the main line railways as will remove that element of uncertainty as to the future which has to an important extent been responsible for the reluctance to electrify suburban lines."

ROBERT DONALD.

